

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

NOVEMBER 1959



"... extend yourself beyond the call of duty." (page 46)

Safeguarding Sound Dollar No Pillow Fight (page 49)

Some Housing News to Paste in Your Hat (page 51)



Theirs ... then and now

The greatest thrill in family life ... the buying of a new home. The greatest loss ... when the father is unexpectedly taken away. Federal's Mortgage Redemption Insurance protects you and the family from the tragedy and heartbreak of foreclosure.

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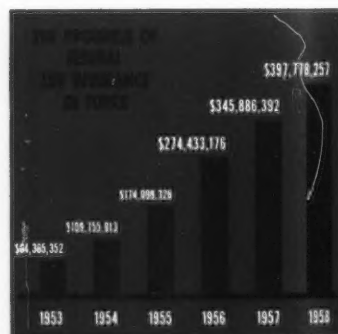
Federal's flexible Plans, designed by lenders themselves, meet the requirements of every mortgage need. We serve a rapidly growing list of progressive financial institutions from

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7

How to avoid seven common mistakes in new quarters planning



Your new quarters committee, facing decisions which will deeply affect your institution's future, needs all the information it can obtain about the planning and designing of financial quarters. For this is unfamiliar ground for most bankers, and mistakes made in the initial planning stages can be costly and even disastrous to your bank's future.

As a service to bankers, Bank Building Corporation makes available a series of informative brochures, created to help you avoid some common planning misconceptions and errors. Based on the experience accumulated on more than 3,500 completed financial projects, these booklets can be invaluable aids. Send for any or all of them today; no obligation!

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In This Issue

All About Housing

BANKING's Special Report in this issue covers housing—and covers it pretty thoroughly. The information for lenders, mortgage borrowers, home owners, and prospective buyers is detailed, expert, and interesting. The section is in five parts: prices, materials, construction, layout and design, planning and financing. It starts on page 51.

Profile of a President

John Warner Remington, new president of the American Bankers Association, is a lawyer, a trustman and a commercial banker. Once upon a time, as a college student, he was a railroad conductor. Currently he is conducting the affairs of Lincoln Rochester Trust Company, Rochester, N. Y., as well as A.B.A.'s.

A profile of him once noted: "Reporters say he's cooperative without being effusive; pleasantly agreeable without being pushy; down to earth without being buddy-buddy. In dress he is said to appear more like an alumnus of the University of Rochester (which he is) than of the Harvard Law School (which also he is)."

In BANKING's "Meet President Remington" you'll find his views on many subjects, including inflation, an account of his career, and numerous pictures. (Page 46.)

Our report on A.B.A.'s Miami Beach convention will appear in the December issue.

Growth Without Inflation

The A.B.A.'s Committee for Economic Growth Without Inflation is bringing out a booklet, "A Banker Discusses Inflation, Credit Control, and Interest Rates." It consists of questions that might be asked by a layman, and the answers, in simple terms, by the bank man. The booklet is to be available to banks for their customers. For a preview see page 49.

Magnetic Ink

A 5-man symposium on electronic check mechanization and MICR—magnetic ink character recognition—is reported at some length in this month's "Better Methods and Systems," page 42. The panel of four bankers and one check printer was a feature of the recent NABAC convention in Boston where the discussion had hundreds of listeners.



THIS MONTH'S COVER

The American Bankers Association's new president, elected at the convention in Miami Beach, Fla., is John W. Remington, president of the Lincoln Rochester Trust Company, Rochester, N. Y. For some of the details about President Remington's interesting career, turn to page 46

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

CONTENTS

NOVEMBER 1959

*Some material belongs in several different classifications but
for your convenience is usually listed under one heading only*

HERE AND ABROAD

THE OUTLOOK AND CONDITION OF BUSINESS <i>William R. Kuhns</i>	39
WASHINGTON—CONGRESSIONAL TAX REVIEW MAY BECOME A MAJOR REFORM PROJECT <i>Thomas W. Miles</i>	40
THE DOLLAR TURNS A NEW FACE TOWARD THE WORLD <i>Herbert Bratter</i>	45
MEET PRESIDENT REMINGTON	46
A BANKER DISCUSSES INFLATION, CREDIT CONTROL, AND INTEREST RATES	49
TRENDS IN HOUSING: PRICES—MATERIALS—CON- STRUCTION—LAYOUT AND DESIGN—PLANNING AND FINANCING	51

TAXES, TRUST, AND LEGAL

BANK LAW NEWS	92
---------------	----

BUSINESS DEVELOPMENT, ADVERTISING, AND PUBLIC RELATIONS

BANKING'S BUSINESS BUILDING BULLETIN	71
• IDEAS AT WORK	71
• A BANK TEACHES TEACHERS	76
• IT'S ALMOST HERE!	77
• ADS AND AIDS THAT SELL SERVICES	78

THE COUNTRY BANKER

AVERAGE FARM ASSETS ALMOST \$30,000	84
NEWS FOR COUNTRY BANKERS	85

INVESTMENTS

BANKING'S INVESTMENT FORUM	4
• PERSONAL TRUST ACCOUNTS—A NEW "FINANCIAL INSTITUTION"? <i>Hobart C. Carr</i>	4
• HOW TO CHOOSE COMMON STOCKS Today	10
• GOVERNMENT BONDS <i>Murray Olyphant</i>	16
• THE INVESTMENT MARKETS <i>H. Eugene Dickhuth</i>	20

OPERATIONS AND PERSONNEL

BETTER METHODS AND SYSTEMS	42
• MAGNETIC INK'S IMPRINT ON BANKING <i>John L. Cooley</i>	42
FIELD WAREHOUSING: AN EXPANDING AREA FOR FINANCING <i>Dominick Joseph Mastellon</i>	63

GENERAL NEWS

HEARD ALONG MAIN STREET <i>Marguerite A. Beck</i>	22
BANKING NEWS	96
• INSTALMENT CREDIT	99
• SAVINGS	101
• HOUSING AND MORTGAGES	103
• CALENDAR	104
HOW CAN WE DO OUR JOBS BETTER? (THE NABW CONVENTION) <i>Mary B. Leach</i>	106
NEW BOOKS	138
WHAT'S NEW <i>Ethel M. Bauer</i>	141

BANKING's Advertisers . . . 142

Personal Trust Accounts— A New "Financial Institution"?

HOBART C. CARR

IN a sense, publication of the assets of personal trust accounts in the A.B.A.'s *National Survey of Personal Trust Accounts*, released in mid-July, revealed such accounts as a newcomer to the group of "financial institutions" we have long recognized—banks, life insurance companies, savings and loan associations, and investment companies. We have always known that living trusts, testamentary trusts, guardian, and similar accounts existed and have surmised that their combined assets were probably impressive. Until the appearance of the results of the A.B.A. survey, however, we were unable to estimate how large they really were.

Now that we know that these funds total \$50-billion, it can be forcefully argued that a "financial institution" of considerable importance has appeared on the scene. Moreover, the promise of yearly information on the assets of personal trust funds means we can trace the flow of funds to this newly recognized pool of assets and analyze the disposition of those funds. This is what we are able to do with commercial banks, mutual savings banks, life insurance companies, investment companies (mutual funds), corporate pension funds, and numerous other repositories of the public's savings.

How it Differs from "Institutions"

In another sense, personal trust funds are not, even when their assets are aggregated, a "financial institution." Usually such an institution is thought to be one that emits its liabilities in return for funds left with them. The funds left with such institutions are then invested as the managers of the institution see fit, subject to legal considerations. For example, a commercial bank affords a deposit account to those who leave money with it. Similarly, an investment company issues

DR. CARR is chairman of the Department of Banking and Finance at New York University's School of Commerce, Accounts and Finance.

shares to investors. For consideration, an insurance company undertakes the responsibility for paying its policyholders an agreed-upon sum on the occasion of some event. Finally, a pension fund commits itself to paying out certain sums at a later date in return for funds left with it currently.

A personal trust fund, however, usually does not emit liabilities. The funds entrusted still belong to the trustor. Then too, the "manager" (trustee) of the funds often shares control over the funds with an outsider. The survey shows that in 57% of the personal trust accounts reported, control of assets is shared with persons other than the trustee or is completely divorced from the trustee. Even when he has full authority as to investment, he must obey the behest of trustor. He must take into account in each individual instance the purpose of trust. Among the 185,000 trust funds covered by the survey, each has its own objective.

Outranks Many "Institutions"

If the title of a financial institution were earned solely by size, certainly personal trust accounts would qualify. At \$50-billion of assets, they reach ahead of mutual savings banks (\$36-billion); open-end investment companies (\$13-billion); self-administered corporate pension funds (\$22-billion); and credit unions (\$4-billion). Savings and loan associations at \$55-billion are only 10% larger. Of course, life insurance companies (\$107-billion) and commercial banks (\$276-billion) far outrank them.

The importance of personal trust accounts as a lodging place for securities and other debt and equity

instruments varies with the instruments. As the table below shows, their holdings of corporate bonds are well below those of many other principal investor groups. Sources for this and the next two tables were "Flow-of-Funds/Savings," Federal Reserve Bulletin, August 1959. *National Survey of Personal Trust Accounts*, A.B.A.; "Survey of Common Trust Funds," Federal Reserve Bulletin, May 1959.

Corporate Bond Holders, 1958¹ (in billions of dollars)

Life insurance companies	44.2
Corporate pension funds	11.6
State and local government agencies	6.7
Mutual savings banks	3.8
Nonlife insurance companies	2.6
Nonprofit organizations ²	2.0
Commercial banks	1.3
Personal trust accounts ²	2.8
Other individuals ³	4.8
Investment companies, etc.	1.1
Other	.5
Total	81.4

¹ Not all data in this and subsequent tables are precisely comparable. Some are as of the year end; others, personal trust accounts, for example, are as of varying dates during the year.

² Includes bonds held by common trust funds.

³ Partly estimated.

Personal trust funds are among a group of relatively insignificant holders of corporate bonds. Worthy of note is the fact that individuals as individuals hold nearly twice as much in bonds as personal trust accounts. Life insurance companies are obviously the most important investors in corporate bonds, holding over half the obligations. Corporate pension funds rank second and state and local government pension funds third.

Holdings of "municipals" by personal trust accounts marks such accounts as a likely market for the flood of state and local issues currently reaching the market. As the following table indicates, only indi-

(CONTINUED ON PAGE 6)

BELL SYSTEM TEAMWORK IS A VITAL FACTOR IN EFFICIENT, ECONOMICAL TELEPHONE SERVICE

Direct Distance Dialing is an example of the value of unified research, manufacture and operations

There are great advantages to the public and the nation in the way the Bell System is set up to provide telephone service. It is a very simple form of organization, with four essential parts.

Bell Telephone Laboratories does the research.

The Western Electric Company is the Bell System unit which does manufacturing, handles supply, and installs central office equipment.

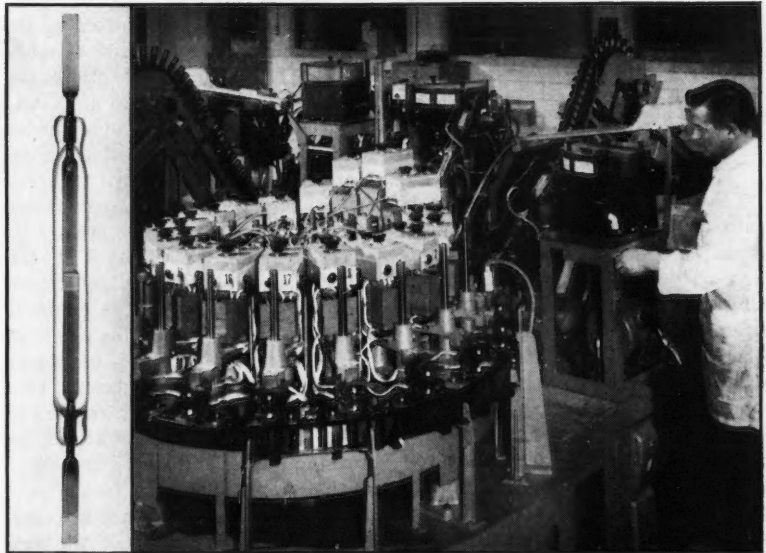
Twenty-one Bell Telephone operating companies provide service within their respective territories.

The American Telephone and Telegraph Company co-ordinates the whole enterprise and furnishes nationwide service over Long Distance lines.

Each is experienced and efficient in its own field. But the particular value of each is greatly extended because all four parts are in one organization and work together as a team.

Direct Distance Dialing—one of the greatest advances in the speed and convenience of telephone service—is an example of the value of this unified setup.

Already more than 8,000,000 telephone customers in more than 700 localities can dial direct to as many as 46,000,000 telephones throughout the country. Each month there are



EXAMPLE OF TEAMWORK. At left is new fast-moving switch (actual size) used in Direct Distance Dialing. Many of them go into action automatically every time you dial. Enclosed in gas-filled glass tubes to assure perfect contacts. Made to last 40 years. The result of Bell Telephone Laboratories and Western Electric working together to get the best and most economical design. At right is remarkable new machine, designed by Western Electric, which automatically assembles 360 switches an hour at a very small cost.

more. Millions of others can dial direct over shorter out-of-town distances. Calls as far as 3000 miles away go through in seconds.

All of this didn't just happen. It called for years of intensive planning, the invention of wholly new machines and equipment, and the development of new operating and accounting techniques.

Research alone couldn't have done it. Neither manufacturing nor operations separately could have

done it. And just money couldn't have done it, although it takes money and a lot of it for telephone improvement.

The simple truth is that it could never have been done so quickly and so economically without the unified setup of the Bell System.

For many a year it has given dynamic drive and direction to the business and provided the most and the best telephone service in the world.

BELL TELEPHONE SYSTEM



(CONTINUED FROM PAGE 4)

viduals and commercial banks hold more of these issues than personal trust accounts.

Holders of State and Local Government Securities, 1958 (in billions of dollars)

Commercial banks	16.5
Personal trust accounts	7.8
Other individuals	17.6
Nonlife insurance companies	6.4
Life insurance companies	2.7
Mutual savings banks	.7
Investment companies, etc.	.3
Other ¹	6.5
Total	58.5

¹ Includes agencies of state and local governments (\$6.5-billion). Corporate pension funds and nonprofit organizations hold none.

The tax exempt feature of such securities, of course, holds varying attractions for various investors. Those subject to high tax rates place a high value on them and are willing to pay a premium for them. Others, like pension funds and charitable institutions, that are tax exempt, place no special value on them.

Individuals as a group are substantial holders of Federal Government securities, but those committing their funds to personal trust accounts hold only a small share of the total amount outstanding. The holdings of individuals at \$64.1-billion are second only to commercial banks with \$68.6-billion. Personal trust accounts hold only \$2.7-billion (again including holdings of common trust funds), most of which may constitute a liquidity reserve, since this sum is about 5½% of the total assets of such accounts. The total amount in the hands of the public, excluding Federal Government trust account and agency holdings approximates \$233-billion.

As holders of corporate stock, individuals are second in importance to none. Despite the well publicized investments of corporate pension funds in equity instruments, despite the rapid growth of mutual funds, individuals still hold firmly their historic role of the principal source of equity capital. Personal trust accounts alone, as the table at the upper right of the page shows, hold more than twice the amount held by their nearest rival.

Personal trust account holdings

are split 95% and 5% between common and preferred, respectively, while corporate pension fund portfolios are divided 90 and 10%. By far the greater share of the corporate stocks owned by each of these classes of investors consists of common stocks.

Notwithstanding the overwhelming importance of individuals' holdings of stocks and the substantial volume of personal trust holdings of equities, it does not follow that the current influence of such investors may be better measured by current rate of investment than by holdings. The table at the bottom of the page shows the absorption of *additions* to the supply of stocks by various classes of investors. It may be used to form some opinions as to the current influence of these investors upon the market.

This does not show changes in the value of the outstanding supply by class of investor. Changes in the value of the total supply reflect not only additions but also the influence of market prices. Attention has been paid to acquisitions of corporate pension funds and investment companies. These institutions have added to their holdings at an increasing rate. Moreover, the share of the yearly increases in the supply of stocks that each has acquired is larger than its share of the outstanding supply.

At this point, the annual flow of funds into the holdings of stocks of personal trust funds cannot be separated from those held by individuals as a group. As the National Survey of Personal Trust Accounts is repeated annually, this may become possible, but as of now no conclusions may be drawn as to whether a large or small volume of funds is flowing into such assets of personal trusts.

Should later data indicate that

Holders of Corporate Stocks, 1958¹ (in billions of dollars)

Personal trust accounts	33.1
Other individuals ²	341.2
Nonprofit organizations ²	14.5
Investment companies, etc.	11.8
Nonlife insurance companies	8.6
Corporate pension funds	6.7
Life insurance companies	4.1
Mutual savings banks	.9
Other, including foreign	6.1
Total	425.0

¹ Values are largely market values, although some—pension funds, for example—are based on original cost.

² Partly estimated.

personal trust holdings of stocks are growing at a rate comparable with that of pension funds and investment companies, the specter of control of American corporate business by small groups will probably be raised. This modern Banquo's ghost has already been seen by some observers apprehensive of the effect of the voting of shares by a comparatively small number of investment company "managers" and pension fund trustees. Their fear is that with the growth in importance of such investment groups' holdings of stocks, control will be secured and exercised by them, presumably to the detriment of the general public. Since personal trust funds holdings of stocks are already three times as large as the combined holdings of investment companies and corporate pension funds, a further growth in personal trust holdings might resurrect and magnify such anxieties.

Such fears seem to be baseless, at least in regard to personal trust funds. In the first place the number of personal trust accounts, as noted earlier, totals about 185,000. While this total represents only 15% of the 12,500,000 individual shareholders in American companies,

(CONTINUED ON PAGE 10)

Net Purchases of Common and Preferred Stock, 1955-58¹ (in billions of dollars)

	1955	1956	1957	1958
Pension funds	.7	.8	1.0	1.2
Investment companies	.5	.6	.8	1.1
Other institutions and foreign holders	.5	.6	.5	.2
Individuals²	1.2	1.5	1.3	1.4
Total net additions to stocks outstanding	2.9	3.5	3.7	4.0

¹ Includes foreign government and corporate issues.

² Includes personal trust funds and nonprofit organizations.

Source: "Corporate Pension Funds, 1958," S.E.C. Statistical Release, 1605.



WHY BE JUMPY ABOUT LOAN RISKS?

It's always a problem to know how much credit to extend to commercial borrowers—and for how long.

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How to Choose Common Stocks *Today*

"COMMON stocks were attractive for income in many years after the war when dividend yields were substantially in excess of bond yields. Today the situation is reversed. If we want yield, we should invest in bonds. In the selection of common stocks in today's market, the emphasis should be on growth in companies where earnings improvement will justify present or even higher prices in a reasonable period of time."—From remarks made by Wayne R. Bennett, vice-president at Continental Illinois National Bank and Trust Company in Chicago, before the A.B.A.'s 33rd Western Regional Trust Conference. Here are some further observations by Mr. Bennett on the selection of common stocks in today's market.

U. S. Government Series G 2½% Bonds were a favorite investment of many trustees in 1946. A 12-year maturity of U. S. Governments at 2½% seemed preferable to a long-term corporate at 2.50% to 2.75%. A brief comparison may be of interest:

	May 1946	Now
U. S. Governments		
Short-term.....	1.46%	4.35%
Long-term.....	2.08%	4.08%
Corporate Bonds—Moody		
AAA.....	2.51%	4.87%
AA.....	2.58%	4.77%
A.....	2.72%	4.91%

Common Stocks—Standard & Poor's		
—Second quarter 1946		
425 Industrials.....	3.57%	3.13%
29 Electric utilities.....	3.89%	4.01%
25 Rails.....	5.28%	4.57%

Price-Earnings Ratios—Standard & Poor's		
—Second quarter 1946		
Industrials.....	23.26	17.4
Rails.....	12.60	9.2
Public utilities.....	14.54	17.6

From this comparison, it is apparent there is not much difference in common stock yields today, but there is a much greater return available to us on bonds than was true in May 1946. Possibly the low yield available on common stocks today

(CONTINUED ON PAGE 12)

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it is many times greater than the number of pension funds and investment companies. If it seems that this grossly overstates the diversification of interest, in view of the fact that these accounts are held by somewhat over 400 banks, it should also be recalled that control over 57% of the total assets of personal trusts is either shared by these banks with someone else or is entirely in the hands of an outsider. This difference in responsibility is meaningful in the area of investment policy, as indicated by the fact that common stock holdings of personal trust funds over which the bank has sole responsibility are 56% of total assets, whereas such holdings comprise nearly 66% of the assets of accounts with divided or nonbank investment responsibility.

Finally, the necessity of managing the trust according to the principles laid down by the trustor argues against the possibility that the

bank trustees, even those with sole investment responsibility, will act and vote as a bloc. It may be that some of these accounts are made up of the holdings of the very wealthy, but the bulk of them are governed by the multiple purposes of trust funds set up by people of more modest means. And even if the bulk of the assets should fall into the personal trust funds of the very wealthy, it does not follow that the bank trustees have sole investment responsibility for them or that, if they do, they would push harder for equity assets with voting privileges or that they would vote the shares to the detriment of the general public.

As the years roll by and the data from later surveys become available the portents may become clearer and the ghosts may be laid to rest. In the meantime, the availability of the 1958 data signals another breakthrough in the field of finance.

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**Advisory Directors*

STATEMENT OF CONDITION

At the Close of Business September 30, 1959

ASSETS

Cash on Hand and Due from Banks		\$237,927,966.78
United States Government Obligations	\$112,123,260.47	
Public Housing Authority Obligations (Fully Guaranteed)	4,952,619.44	
State, County and Municipal Bonds	24,802,529.91	141,878,409.82
Other Bonds		3,637,475.00
Stock in Federal Reserve Bank		1,800,000.00
Loans and Discounts		433,516,104.38
Commodity Loans		4,866,278.95
Income Accrued		3,630,415.28
Letters of Credit and Acceptances		3,537,070.80
Banking House and Equipment		8,401,577.84
Other Assets		220,611.75
		<hr/>
		\$839,415,910.55

LIABILITIES

Capital Stock	\$ 26,000,000.00	
Surplus Fund	34,000,000.00	
Undivided Profits	6,880,031.35	\$ 66,880,031.35
Reserved for Contingencies		8,836,147.00
Reserved for Taxes, etc.		5,879,354.42
Deferred Income		2,818,712.57
Letters of Credit and Acceptances		3,537,070.80
U. S. Government Obligations Sold Under Repurchase Agreement		19,291,875.00

DEPOSITS

Individual	\$508,414,421.76	
Banks	192,710,429.05	
U. S. Government	31,047,868.60	732,172,719.4
		<hr/>
		\$839,415,910.55

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Ben Wooten
PRESIDENT



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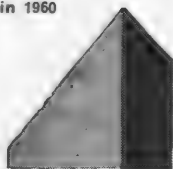
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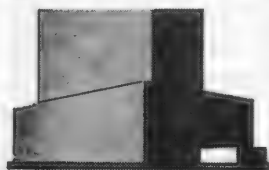
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(CONTINUED FROM PAGE 10)

should be a warning to us, as we know what happened to common stock prices after May 1946. The Standard & Poor's 425 Industrial Stock Index on May 23, 1946, was 18.09; and the market declined to 13.64 on November 22, 1946, the low for the year, a decline of 24.5% in about six months' time.

The decision has been reached by your trust investment committee to invest in common stocks in today's market, regardless of whether a personal trust, pension fund, or some other type of account is involved.

What to Remember

Here are some of the factors to be considered in making our selections:

(A) *Diversification.* That policy has been followed for years by most institutional investors. The question of diversification is largely one of degree. Diversification is a means of spreading the risk, and this means doing so not only among a number of companies but among a number of industries.

(B) *What industries?* Obviously, if we are going to diversify among industries, we want to invest in those industries which appear to have a promising future. When I say promising future, I mean long-term, not short-term; and I mean an industry which is fundamental in the sense that the products or services are essential and growing in importance.

(C) *What stocks?* What factors do we consider?

(1) *The capitalization and financial position of the several companies in each industry which we believe have a favorable future.* Debt should be moderate in relation to total capitalization. . . .

It isn't necessary to consider only the leader in each industry, but presumably we want a company that is a substantial factor in its field, one that is strong enough to keep its plant and equipment modernized so that it can remain competitive.

(2) *Management.* This is one of the most difficult questions to evaluate. Certainly we can examine the record of the company, which gives us some idea as to whether the management has been maintaining, losing, or improving the company's position in its field. . . .

(3) *Research and engineering.*

What has been the record of the company, and what is it doing in research and engineering—that is, product development? Improvement of products and product development are extremely important to the success of a company. New products come out of research, and some investors believe that adequate funds spent properly in well planned research determine the future of a company. . . .

(4) *What are the labor costs?* We do not rule out a company just because it has a high labor factor, but we recognize that a company which has to pay out to labor in wages and salaries and other benefits 40 to 50 cents of each dollar of revenue may find it more difficult to live with the trend of rising labor costs than a company with a low labor factor.

(5) *The record of the company.* Certainly we examine the record of the company. Have its earnings been improving, static, or declining? Has it maintained or improved its profit margin, or has this been declining? What about its dividend record and policy? Has it been a stable one or erratic, and has the management paid out most of its earnings or retained a reasonable amount for reinvestment in its business?

(6) *What does it earn on its capitalization or net worth?* If a company earns pretax 15%, 20%, or more and reinvests retained earnings at that rate, the stockholder probably is better off regardless of his tax situation than if all the earnings were paid to him in dividends. At present yields, the stockholder may be better off if the corporation reinvests at even a lower rate pretax. . . .

(7) *What is the price of the stock, price range, and price-earnings ratio in past years and presently, and also on estimated future earnings dividend, and dividend yield?* Is the price high on a historical basis, is the price-earnings ratio high, and are these factors justified by the record of the company? Is the dividend secure, the yield reasonable, and what are the prospects for a dividend increase?

(8) *Other factors.* Of course, there are still other factors, such as labor relations, foreign competition, participation in foreign markets, how will the growth in population affect this company, and many others too numerous to mention.

Does your bank have a

SPLIT PERSONALITY ?



Is your bank modern on the inside, but old-fashioned on the outside? Your regular depositors may know it's an up-to-date establishment, but what about *prospective* depositors who may judge it by its outward appearance?

A Pittsburgh Open-Vision Store Front is the mark of a progressive bank. It identifies your bank with modern business practices, and lets you display its interior to best advantage. It boosts your prestige—and most important—your traffic.

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Pittsburgh 22, Pennsylvania

Please send me a free copy of your booklet, "Put Your Best Store Front Forward."

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Address.....

City..... State.....



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PROTECTED PAYMENT PLAN

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This simple procedure is in operation today in hundreds of banks across the nation

1. Installation

Continental supplies new rate charts, computed at your interest rates, with the cost of insurance added. You also get colorful point-of-purchase and other promotional materials, including brochures with your imprint.

INTEREST RATE CHART
CONTINENTAL 8-73

4. Simple Monthly Report

Once each month all new insured loans are grouped on this simple reporting form and sent with a check for the insurance premium to your insurance agent.

2. Direct Loan Business

When your clerk prepares the loan papers she fills in this simple snap-out certificate. Your customer gets his insurance certificate on the spot along with his copy of the loan note.

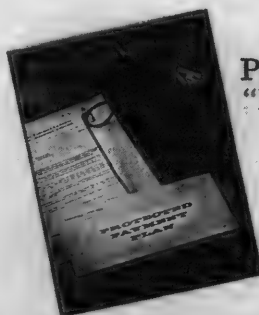
5. Claim Payments

All claims are quickly and efficiently handled by Continental and your insurance agent.

3. Dealer Business

When the note is submitted for approval your dealer includes a 3 x 5 card with the necessary information for the insurance certificate. On approval of the loan this card is forwarded to your insurance agent who completes the certificate and mails it to your borrower.

Let us show you how you can take advantage of the Protected Payment Plan in your loan department. Send today for your free copy of our informative "Protected Payment Plan" booklet and an accurate estimate of the profits that can accrue to your bank. Contact your insurance agent or nearest Continental Branch office or for your convenience use this coupon



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GOVERNMENT BONDS

Market Rises After New Lows . . . Cost of Treasury Bills Up Sharply . . . New Money at 5% . . . No Help from Open Market Committee . . . Bank Loans Up . . . Investments Down . . . Higher Rate on Savings Bonds . . . Outlook

MURRAY OLYPHANT

THE ultimate results of the steel strike are still a matter for conjecture. The full effects on the economy of idle workers in the steel industry and in other industries dependent upon steel are difficult to measure. What's more important, and more difficult to judge, is the long-term inflationary effect on the wage-price spiral that may result from the final settlement.

As the final quarter approached, nearly all of the Government issues had registered new low prices. Thereafter some improvement set in and, except in the range of the shorter maturities, prices rose from a half to a full point above the bottom.

Costs of Treasury Bills Jump

By October most of the longer term issues showed irregular gains, varying from $\frac{1}{4}$ point to nearly 1 point, but in the 2- to 4-year maturity range there were losses running up to $\frac{3}{8}$ of a point.

From time to time there seemed to be minor amounts of retail purchases from investment sources but,

Recent headlines
in *The New York Times*

Small Investors Rush to Buy Government Issue of 5% Notes

The Treasury Building Itself Banks Here Handle a Heavy Is 'Stormed' by Eager Prospective Lenders Volume of Subscriptions for New Offering

By EDWIN DALE Jr.,

Special to The New York Times.

WASHINGTON, Oct. 6—Even the Treasury building itself was swamped today—relatively speaking—by Americans eager to lend their money to the Government at 5 per cent.

Today was the day the sub-

By ALBERT L. KRAUS

The money market is guessing that small investors may take \$750,000,000 to \$1,000,000,000 of the Treasury's \$2,000,000,000 offering of new 5 per cent notes. A popular subscription of this size would rank as a major accomplishment by the Treasury in getting its securities into the hands of the general public.

on balance, the banks continued to lower their holdings in the 2- to 5-year maturity range although continuing to make exchanges for tax purposes as they had been doing.

At no time was there any real activity except in the shorter maturities. Some of the price rallies were largely technical as dealers read-

justed their positions. However there was some feeling that perhaps the decline had reached a point not far from the bottom and that income returns, now available, were beginning to be worth consideration. Nevertheless an ample supply of new corporate and municipal obligations were still to be had so that, as yet, there did not seem to be spare money available for investment in Government obligations.

At the same time and in spite of the better tone in the market there was no sign of a let-up in the stringency of the credit supply. The Federal Reserve authorities raised the rediscount rate to 4% somewhat earlier than had been expected and the lack of available funds resulted in the rather sharply increased cost of Treasury bills to the Treasury which rose to new highs.

In the previous 5-week period the average cost of the 3-month bills had risen only $\frac{1}{4}$ % while the 6-

Outlook

The outlook for the market for fixed income securities is now less clear than it has been.

The effects of the steel strike plus the strike of the longshoremen are reflected in figures on the gross volume of business. Hence the expectation that the final three months of this year will witness a sharp increase in the demand for credit may have to be revised.

Furthermore, speaking generally, industrial treasuries are loaded with cash or its equivalent in the form of Treasury bills and may be able to finance an increase in inventory without much resort to bank loans.

The probability, previously anticipated that a severe credit squeeze was in prospect, appears to have been lessened. There is now more reason to feel that perhaps the low point in the market for bonds may have been reached or nearly so.

(CONTINUED ON PAGE 18)

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- Almost 40 hours of music without repeating a selection
- 100% automatic operation
- Self-contained (no central studio)
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Background music that fits your business to a "T" ...the New Seeburg '1000'

The Seeburg "1000" Background Music System fits every business to a "T." For small stores and shops just plug it in . . . for larger installations play it through existing sound systems.

The music libraries—arranged, programmed and recorded by Seeburg—are *custom-tailored*. Now, for the first time, you can have tailored music scientifically created for your *particular kind* of business.

If you are about to have music for the first time, here is the perfect answer. Or if you have music now, learn what a great improvement Seeburg offers over any existing music service.



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TIMELY EVENTS

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(CONTINUED FROM PAGE 16)

month cost was up about 1/10%. Now, however, the cost of the shorter bills rose over 1/2% and the longer almost 3/4%. Some of the longer bills actually traded at one time for 5%.

Most of the time dealers were bidding at prices which got them relatively few bills or were close to the highest yields at which any bids were accepted. In mid-month the amount of repurchase agreements at the Federal Reserve banks rose to over \$150,000,000 but, once again, these were all eliminated by the month end.

At times, such as over the September 15 tax date, there seemed to be some lessening in the demand for bills from corporate sources; but later this demand was renewed and it is still corporations which are the largest holders of Treasury bills. Nor, at the moment, is there any evidence that this will not continue to be the case for some time as the flow of funds to corporate treasuries remains very high.

It is worth noting that in the 13-month period from the end of June 1958 to July 1959 the U. S. marketable debt rose by about \$16.3-billion, the better part of the increase consisting in the amount of Treasury bills outstanding. All of the increase was taken by nonbank holders as commercial bank holdings were down \$4-billion for the period. So far the tremendous increase in the amount of bills has not, most fortunately, had an inflationary effect on the money supply.

New Money Costs 5%

On October 1 the Treasury announced that it would raise \$4-billion new cash by the sale of \$2-billion tax anticipation bills maturing on June 22, 1960, and \$2-billion 4-year and 10-month 5% notes to ma-

ture on August 15, 1964. The first was a fully expected routine offer, with the tax and loan account privilege for bank subscribers and usable on June 15, 1960, with interest to maturity in payment for taxes.

The second, however, came as a surprise, as most of the forecasters had not expected that the Treasury would either stretch the maturity that far or be willing to pay 5% interest. However the previous sale of 4 3/4% notes May 15, 1964, had been well taken by investors from outside the banking system and the Treasury encouraged such buying by guaranteeing allotment in full for subscriptions up to \$25,000 if accompanied by full payment at the time of subscription.

It could be that the Treasury wanted to show Congress the result of failure to raise the permissible rate on bond issues, as there was little doubt but that a reasonable amount of bonds could have been sold at a lower rate, possibly 4 1/2%. In any case full subscription and a subsequent market premium was virtually inevitable. In fact there was an unprecedented rush of subscribers for the smaller amounts, apparently accompanied by the withdrawal of funds from savings banks. Spokesmen for the Treasury seemed gratified at the result of the offer.

The market, of course, would set the rate on the auction for the 285-day tax anticipation bills which were to be paid for a week later than the 5% notes. But with the bills outstanding due July 15 selling on the bidside at 5%, an average rate of nearly that for the new bills was probable.

Another \$2- to \$4-billion of new cash will be needed before the year-end and \$9-billion of maturities on November 15 will have to be refunded. As only about \$3.8-billion of the maturities are held outside of

Weekly Sales of Treasury Bills

Offered On	3 months		6 months		Yield Spread
	Amount	Average Cost	Amount	Average Cost	
Aug. 27	\$1.1-billion	3.889%	\$400,000,000	4.468%	.68%
Sept. 1	\$1.2-billion	3.979%	\$400,000,000	4.473%	.49%
Sept. 10	\$1.2-billion	4.166%	\$400,000,000	4.796%	.63%
Sept. 17	\$1.2-billion	3.958%	\$400,000,000	4.766%	.81%
Sept. 24	\$1.1-billion	4.194%	\$400,000,000	4.895%	.70%
Average for period		4.04%		4.68%	
Average for previous period		3.48%		3.97%	

the Federal Reserve banks, there will be little, if any, threat of attrition in the refunding. Also, since the first six months of 1960 should produce between \$7- and \$9-billion excess of deposits over withdrawals for the Treasury, such cash as is required before December 31 will probably be raised with maturities of less than one year.

No Help from Open Market Committee

There was no real change in the policies of the OMC during September. Between the 2nd and 30th of the month the Federal Reserve portfolio declined \$87,000,000. Actually there might have been a somewhat larger decline as circulation declined \$323,000,000 while the gold stock was only off \$32,000,000 so the OMC might be said to have been a little lenient.

The negative reserves of the member banks continued to average about \$455,000,000 as they have for some time. They would have been larger except that the float averaged over \$1-billion for the month and was almost \$1.5-billion on September 23. It is quite clear that the banks are still in a fully loaned up position.

Bank Loans Up. Investments Down

The total commercial, industrial, and agricultural loans of the reporting member banks rose \$368,000,000 during September. There was, however, a decline in loans to carry securities so that loans (adjusted) were only up \$292,000,000.

The banks continued to lower their holdings of Government se-

Curiousity is the still small voice that tells you confidentially what other people should do.

Among the things that money can't buy are what it used to.

Evening is the time of day when people do anything to keep from going to bed and getting eight hours' sleep.

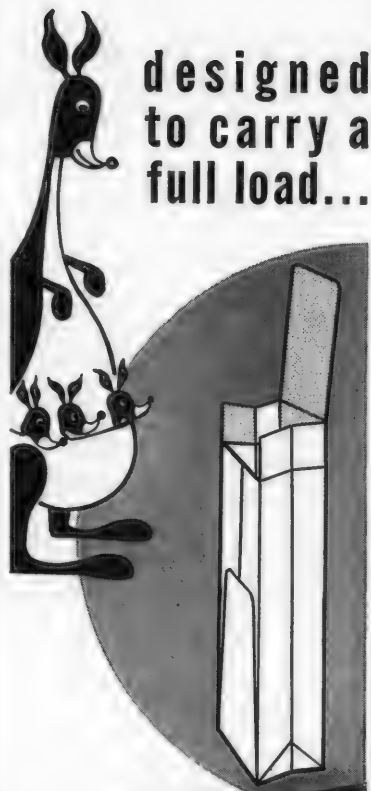
Those people who look to the Government to bring them security and prosperity ought to remember what happened to the American Indian.

curities, this time by \$909,000,000. Again they moderately increased their holdings of other securities, chiefly tax-free issues.

Savings Bond Rate Boosted

At long last the Congress permitted the Treasury to raise the interest rate on Series E and H Savings Bonds. The Treasury promptly set the rate at 3¾% retroactive to July 1 on all of the previously outstanding bonds.

In view of the fact that close to 5% is now available from some of the marketable Government issues and somewhat more from several of the agency issues, it is doubtful that new sales of the E and H bonds will be stimulated, but the higher rate may serve to somewhat decrease the amount of cash-ins of the bonds previously outstanding and help to maintain the volume of sales through the payroll savings plan.



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Insure Security for valuable, bulky mail.

- Extra Strong Kraft Paper.
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Curtis 1000 Inc.

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Please send samples of EXPANDING MAILERS.

NAME

BANK

ADDRESS

Clip this coupon to your letterhead



"Your balance and your left front tire are a little low, Mrs. Green!"

THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

THE biggest news in the investment markets followed the announcement of the United States Treasury that half of its \$4-billion financing would consist of 5% notes due August 15, 1964. Some 75% of the issue was snapped up by individuals. The interest rate prevails if held to maturity, and the notes are subject to market fluctuations in the meantime.

Most financial markets hesitated after the announcement was made. There were some adjustments to the new rate level in industrials and municipals, but precious little happened otherwise. One of the reasons for this lack of repercussions was that the supply of tax-exempts has not been increasing appreciably. Most experts blame the higher money rates which deter borrowers from going to the public markets.

5% Has Been a Prevalent Rate Abroad

The 5% rate seems to have important foreign implications. That rate has been prevalent in many western world centers for what may be regarded as "long-term borrowing." How long this similarity will continue to exist is difficult to say. In the major financial markets of Europe, interest rates have been declining, while they have been rising in the U. S. In the meantime, the similarity of rates should have the tendency to make easier some monetary transfers.

Underwriters of municipal and corporate bonds had a rather difficult time. They had to take losses to move securities. But these markets improved somewhat in the wake of the Treasury's 5% issue.

Under the circumstances, new issues of corporate obligations commanded more than a 5% rate. Rates on mortgages tended to advance and new construction became more difficult to finance as money rates increased. Moreover, there is the distinct possibility that private credit demands will increase in due course after the steel strike has been set-

tled and the after-effects have been absorbed.

Hence, there is no reason to expect that interest rates will go down in the foreseeable future, barring unforeseen circumstances. Also approaching is the increasing demand for credit which always occurs with the oncoming of the holiday season and the yearend.

Many Factors Involved

But no sweeping statements can be made in this connection. The 5% Treasury rate is reported to have led to heavy withdrawals from savings accounts in commercial banks and the mutual institutions. Yet, the over-all effect on the economy, while minimized by Treasury officials, is hardly measurable at this time. Many other factors have to be considered.

There has been the steel strike

and its material shortages, and other labor-management disputes are brewing. Savings, which are the backbone of the investment markets, are bound to be affected, but to what extent? There are savers who care for nothing but tax-exempt securities. There are others, on social security rolls, who cannot afford any more income lest they lose their benefits. There are many other categories in between.

In the face of this general confusion, it is hardly surprising that the stock markets displayed inaction. There were the usual days of ups and downs, of profit-taking and short selling, but no major price trend was discernible. It was almost impossible for anyone to be too positive on the side of either the bulls or the bears.

World Development Agency

A new international investment organization was born at the annual meetings of the International Bank for Reconstruction and Development and of the International Monetary Fund. The resolutions to create the International Development Association were not unanimous. There were reservations.

The whole idea is to make loans to "soft" currency countries. The opposition maintains it might undermine the gains made for financial discipline in the developing countries of the world by other lending or investing agencies.

There is additional concern over the possible harmful effect of the uses of local "soft" currencies acquired in repayment. The American agricultural surplus program abroad may have served as an example. On the other hand, the potential beneficiaries of the new International Development Association seem to fear that the new institution, in practice, may remove them from bilateral aid from the United States and Europe. The United States, along with the 67 other member nations of the World Bank, are contributing to this project—noble in purpose.

Inflation and the Investor

EVEN though there has been a substantial fall in the purchasing power of the currency over the past 60 years in the United States and a grave danger of further inflationary price rises exists, the American investor can achieve satisfactory investment results and can, even at the worst, limit his losses, according to a study on inflation originally prepared and recently brought up to date by the research department of E. W. Axe & Co., Inc.

The study compares inflation to a dangerous disease the symptoms of which do not become evident until it has reached an advanced stage. A short section has been added comparing movements of the cost of living and common stock prices in the United States over the past 67 years.

The study includes a chart depicting the relationship of the price of wheat with the gold value of sterling from 1259 to the present day, and it concludes with a table and chart that correlate the United States cost of living index with the Axe-Houghton index of industrial common stock prices.

NEW...

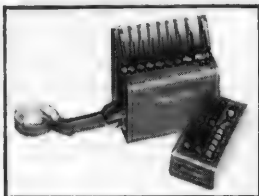
Brandt Electric

AUTOMATIC CASHIER

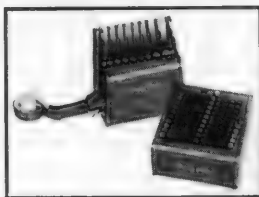


VERSATILE... NEW... REDUCED SIZE WITH INSTANT ELECTRIC KEY ACTION

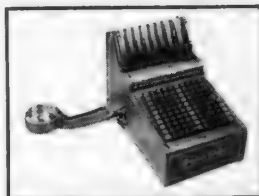
With counter space at a premium, this small, extremely efficient, electrically operated Model 502 is invaluable to tellers.



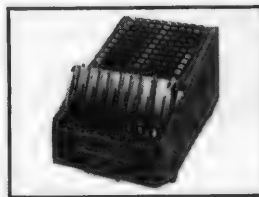
When single key depression is preferred and conservation of counter space is not important, the Model 500 is an ideal choice.



When a single unit combining both a keyboard and coin dispenser for direct delivery of coins is desired, the Model 450 is the perfect answer.



If counter construction will not permit the use of some other model or it is desired to have tellers personally hand coins to customers, then Model 350 will fill the need completely.



With counter space at a premium, the small, extremely efficient, electrically operated Model 502 Brandt Electric Automatic Cashier is invaluable to tellers. It consists of two units, a coin dispenser and a keyboard. The keyboard may be used anywhere desired in the teller's work area including the cash drawer. When the keyboard is placed in the cash drawer the Model 502 requires less than half as much space on the counter as other coin paying machines. Instant payments can be made with the Model 502 because of the simplicity of the keyboard. Instead of searching among 99 keys, as on other machines, for the proper key, the teller makes the selection for a payment from only 19 keys. It's as easy as that! Keys are instantly located.

Also available is the Model 500 Brandt Electric Automatic Cashier which too is made up of two units, a coin dispenser and a keyboard. This machine differs from the Model 502 in that the keyboard has a full range of keys from 1¢ to 99¢ inclusive, thus requiring the depression of only a single key to make a coin payment.

Still more electrically operated Brandts available are the Models 350 and 450 combining the coin dispenser and full keyboard into a single unit. For further information regarding these machines see the illustrations and descriptions thereof to the left.

In addition to the above Brandts, there are also manually operated machines similar in design and operation to the Models 350 and 450.

Among the several types of Brandt Automatic Cashiers available, there is one to fit every coin paying requirement.

Other Brandt products include a Coin Sorter and Counter, Coin Counter and Packager and a complete line of coin wrappers and bill straps.

A Brandt representative will be glad to give you further information regarding our products or, if you prefer, we shall write you giving full particulars.

BRANDT[®] AUTOMATIC CASHIER[®] CO.

Watertown, Established 1890 Wisconsin



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Compiled by Marguerite A. Beck

About People

JAMES S. ROCKEFELLER, from president to board chairman and chief executive officer, First National City Bank of New York, succeeding HOWARD C. SHEPHERD, who retires. RICHARD S. PERKINS, who has been an executive committee vice-chairman, becomes its chairman, and GEORGE H. MOORE, who has been an executive vice-president, becomes president.

MR. SHEPHERD joins Fundamental Investors, Inc., Diversified Investment Fund, Inc., and Diversified Growth Stock Fund, Inc., Elizabeth, N. J. as board chairman succeeding WILLIAM GAGE BRADY, JR., who retires.

Officers of newly-organized Bank of Mt. Carmel, St. Louis, Mo., include T. N. BANE, president, ENLOE WALLAR, vice-president; and WILLIAM H. ETHERTON, executive vice-president.

LAWSON M. WATTS, vice-president, First National Bank in St. Louis, Mo., retires after 33 years with the bank and joins Mortgage and Trust, Inc., Houston, Tex., as a vice-president and financial adviser.

EARL W. UECKE, from assistant vice-president to vice-president, First American State Bank, Wausau, Wis.

QUINTIN U. FORD, from assistant vice-president to vice-president, Bankers Trust Company, New York City.

Changes resulting from merger of The National City Bank of Troy, N. Y., into State Bank of Albany: THOMAS W. ROURKE, from State Bank president, and ROGER D. SIDFORD, from vice-president, to senior vice-presidents at the newly-merged bank.

Robert Morris Associates Elect New President



Arthur F. Boettcher, senior vice-president and director, Boatmen's National Bank of St. Louis, Mo., has been elected 1959-60 president of the Robert Morris Associates, and assumed his new office at the Associates' Fall Conference in October

Tulsa Bank Joins National "Santa Claus"

THOUSANDS of Tulsa youngsters will be receiving beautifully prepared letters from Santa in late November and early December, as will multitudes of children across the nation, when National Bank of Tulsa, Okla., along with other banks in the country, cooperates with parents in a "Santa Claus" program. Parents will be able to choose from attractive "letters from Santa Claus," which they themselves can mail and stamp in the bank lobby. The bank will whisk the letters off for mailing to the village of Santa Claus, Ind., and children across the country, who generally don't receive much mail addressed to them personally anyway, will have the thrill of receiving a letter from Santa Claus postmarked from his very own village.

National Bank of Tulsa is planning a full-scale promotion in the Tulsa area. Dave Garroway of the NBC Today show will tell the whole

nation about the letters from Santa on November 24, 25 and 26.



Mary Ann Hazelton, Miss Oklahoma, addresses the first of thousands of free "Letters from Santa" that National Bank of Tulsa will offer its customers during November and December

FREDERICK W. CHRISTIE, vice-president, Hudson County National Bank, Bayonne, N. J., retires after 45 years in banking in that city.

BRISON C. TUCKER, from executive vice-president to president, Eutaw Savings Bank of Baltimore, Md., succeeding FRANKLIN P. WHITCRAFT, JR., who is retiring after 50 years of service. MR. TUCKER has served as a member of the executive council, National Association of Mutual Savings Banks; as chairman of the committee on investments, and a member of the executive committee, Savings Bank Section, of the American Bankers Association; and is a past president of the Baltimore Chapter of the American Institute of Banking. He is currently president of the Associated Mutual Savings Banks of Maryland.

Among other promotions at the same bank were DONALD H. WILSON,

street

of the staff of BANKING

from vice-president to senior vice-president; and, WALTER D. STOCKRIDGE and LANDON W. BURBAGE, both from assistant treasurer to vice-president.

JOHN D. CARLISLE, from vice-president to administrative vice-president, Central Valley National Bank, Oakland, Calif.

HERBERT P. PATTERSON, DAVID A. SCOTT, and JOHN G. WINGER, all become vice-presidents, Chase Manhattan Bank, New York.

FRANK C. GRADY, JR., and J. FRANK WIEDEMAN, from assistant vice-presidents to vice-presidents, United States Trust Company of New York.

W. G. THORNELL, from president, First National Bank in Orange, Tex., to First National Bank of Port Arthur, Tex., as executive vice-president.

DONALD I. WELKER, Safford branch manager for Valley National Bank of Phoenix, Ariz., becomes vice-president.

H. P. MCGOOGAN, from executive vice-president, Coral Gables (Fla.) First National Bank, to president.

GEORGE M. JOHNSON, from second vice-president to vice-president, Fidelity Union Trust Company, Newark, N. J.

CHARLES F. KAMMERER, JR., from assistant vice-president to vice-president, The County Trust Company, White Plains, N. Y.

L. A. LENTZ, board chairman, First National Bank of Raleigh, N. C., becomes chairman of Raleigh board of American Commercial Bank of Charlotte, after merger of

The S.S. John Hay—Freighter Named After Banker



Looking down from the bridge during a tour of the ship are left, Captain M. D. Ramage, and John C. Hay

A GREAT LAKES shipping firm paid tribute to a Michigan banker on September 14, when the Browning Lines, Inc., named its newly-acquired freighter, the S.S. John C. Hay, in honor of the president of The Michigan Bank, Detroit. Custom after time-honored custom was carried out as Mr. Hay's family, friends, and business associates watched the traditional christening ceremonies.

Mr. Hay's daughter swung the traditional beribboned bottle of champagne. After the christening, the remnants of the silk-covered bottle were encased in a small walnut chest with a gold plaque commemorating the event and presented to Mr. Hay by the ship's captain, M. D. Ramage. Mr. Hay, in turn,

presented the crew with a ship's clock and compass. Twenty-four hours later, Mr. Hay was presented with the ship's flag bearing his name after it had flown from the mast for that period of time—another tradition of the sea.

As the freighter pulled out, the entire Detroit river came alive with whistle salutes from all the freighters and yachts on the river—three long and two short blasts, which echoed along the shores as the city fireboat shot plumes of water high in the air.

Mrs. Betty Hay, from a wheelchair, proudly watched the ceremonies honoring her husband. Mrs. Hay is recovering from injuries sustained a year ago while attending the A.B.A. Convention in Chicago.

First National into American Commercial as of October 30. GARY M. UNDERHILL, First National president, becomes senior vice-president and advisory director of the new bank and chairman of Raleigh executive committee. All other First National officers retain their titles.

ROBERT F. ADAMSON, executive vice-president, Citizens & Southern National Bank, Atlanta, Ga., marks 40th year with the bank.

WALTER H. BROWN from vice-president, Chemical Bank New York Trust Company, to manager of Brown Brothers Harriman and Company, New York.

H. F. CHALFANT, JR., from vice-

president, Hampton Bank of St. Louis, Mo., to vice-president, Security-Mutual Bank and Trust Company, also in St. Louis.

WALLACE M. DAVIS celebrates 10th year as president of Hibernia National Bank in New Orleans, La.

WILLIS L. CAMPBELL, president, General America Corp., Seattle, Wash., and ROBERT C. LENFESTY, president, Seattle Hardware Company and Hardware Properties and Inland Hardware Company, both become board members, Washington Mutual Savings Bank, Seattle.

SAMUEL C. WAUGH, president, Export-Import Bank of Washington, D. C., has been chosen to be awarded



WHEN YOU SEEK A NEW SITE ALONG THESE ROUTES IN THE WEST

As you study your opportunities in the West, and determine the general area for your new site, we welcome your inquiry on industrial locations.

Union Pacific has shared in the industrial growth of the West since rails first opened the territory.

Transportation is our business. Our experience with a large variety of industries and over a vast 11-state territory should be helpful to you as you plan your new location. A site strategically located for transportation may mean many advantages for your business.

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Industrial Development Dept.
UNION PACIFIC
Railroad
OMAHA 2, NEBRASKA.

the 1959 Captain Robert Dollar Memorial Award for "distinguished contribution to the advancement of American foreign trade" by the National Foreign Trade Council.

ROGER C. DAMON, from senior vice-president to president and executive committee chairman, The First National Bank of Boston, Mass., succeeding LLOYD D. BRACE who becomes board chairman and remains chief executive officer.

RICHARD A. NORRIS, from executive vice-president and director,

(CONTINUED ON PAGE 26)

State Association Presidents 1959-1960



KENTUCKY: Above, Roland Fitch, Jr., president, Bowling Green (Ky.) Bank and Trust Co. NEBRASKA: Below, E. M. Black, executive vice-president, First National Bank, Fullerton



announcing **SBC's**
electronic
demand
deposit
accounting
system

Today, all banks—large or small—can take advantage of electronics through the bank automation program of The Service Bureau Corporation.

In 16 computing centers throughout the country, The Service Bureau Corporation, a subsidiary of IBM, can produce all the accounting requirements of demand deposit accounting on a unit cost basis.

High-speed electronic data processing equipment is used by SBC's experienced staff to bring automation to any bank—regardless of size—with:

- no investment in equipment
- no bookkeepers
- no growth limitations
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The system:

Today—computer input cards are created automatically as a by-product of normal proving operations.

Tonight—these cards, along with the bank's controls, are delivered to SBC's computing center where electronic computers:

- post all accounts
- analyze for overdrafts and stop payments
- calculate the service charges
- prepare a current daily trial balance for all accounts
- prepare customer statements

Tomorrow morning—on your desk are reports containing the facts necessary for effective bank management.

SBC's Electronic Demand Deposit Accounting System is designed to take your bank smoothly into total automation, including magnetic character sensing. For more information, call your banking representative at the nearest SBC Computing Center.

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**NOW
57* Offices in
40 Communities
Throughout Arizona**

*7 new offices have been opened, 7 relocated in new, larger quarters and 6 more have been enlarged — in the last 21 months.

Home Office
Phoenix, Arizona

**FIRST
NATIONAL
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**Automatic... 19 KEY
COIN CHANGER**

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"We like its compactness and efficiency," says Mr. W. A. Canary of Footville State Bank, Footville, Wis. "I can certainly recommend it to any one who is considering the purchase of a Money Changer, as I know it will satisfy them as it has us."

You'll like the way the Coinmaster delivers exact change instantly by pressing only one or two keys. Speeds up customer service, reduces chance of error.

NEW LOW PRICE, \$215 Plus Tax

Sturdy aluminum, gray hammertone finish. Roll out or Bank cup delivery. Parts and workmanship guaranteed.

Manufacturers of famous MP-Jr. Other coin-changers from \$54. Ask your dealer—

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Los Angeles 58, California



main street (cont'd.)

Riggs National Bank, Washington, D. C., to president and chief administrative officer, succeeding the late HULBERT T. BISSELLE. ROBERT V. FLEMING remains chairman and chief executive officer.

MORGAN W. MCCALL, executive vice-president and general manager, Louisiana Industries, Inc., and vice-president, Texas Industries, Inc., becomes director, Progressive Bank and Trust Company, New Orleans, La.

JOHN S. ENRIGHT and GEORGE W. MEYER both become vice-presidents at American Trust Company, San Francisco, Calif.

TOM TYNAN, vice-president, American National Bank of Denver, Colo., retires and is succeeded as head of business development department by STANLEY O. HALBERG, newly-created vice-president.

PHILIP D. BLOCK, JR., vice-chair-

man, Inland Steel Company, succeeds CHAUNCEY B. BORLAND as director at Continental Illinois National Bank and Trust Company of Chicago; C. BERNARD JACOBS and DONALD C. MILLER both become vice-presidents; STUART C. MACINTIRE, RICHARD F. MERGENER, ALBERT L. FERN, GEORGE E. HANDTMANN, JR., and ROBERT G. MULLEN, all become second vice-presidents.

STUART P. HICKS, from vice-president, The Culpeper (Va.) National Bank, to president, Bank of Wauchula, Fla., which will open for business on January 4.

ROBERT D. HARVEY becomes president, Maryland Trust Company, Baltimore, succeeding the late STANLEY B. TROTT.

Officers of newly-opened Bank of Rolling Meadows, Ill., include: JOHN W. BAIRD, board chairman; MARSHALL HEWITT, president; JOHN WOODS, Mayor of Rolling Meadows, vice-president; CURTIS HAINES, assistant cashier.

WILFRED A. ROPER, vice-chairman of the board and executive commit-
(CONTINUED ON PAGE 30)

Israeli Bank up in the Air Over Tel Aviv Festival



This balloon, complete with basket and pilot, made twenty captive ascents daily over the Tel-Aviv Jubilee Exhibition last August, each time carrying with it two passengers from amongst the visitors to the pavilion of the Israel Discount Bank, Ltd. The bank-sponsored ascents were awarded to winners of a lottery held amongst visitors to the bank's exhibit during the twenty days preceding the balloon's arrival. Some 75,000 people watched the balloon's flights. The bank's name was painted in 30" high letters on a strip 27 yards long around the middle of the balloon.

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The Log of the Navy's Polaris



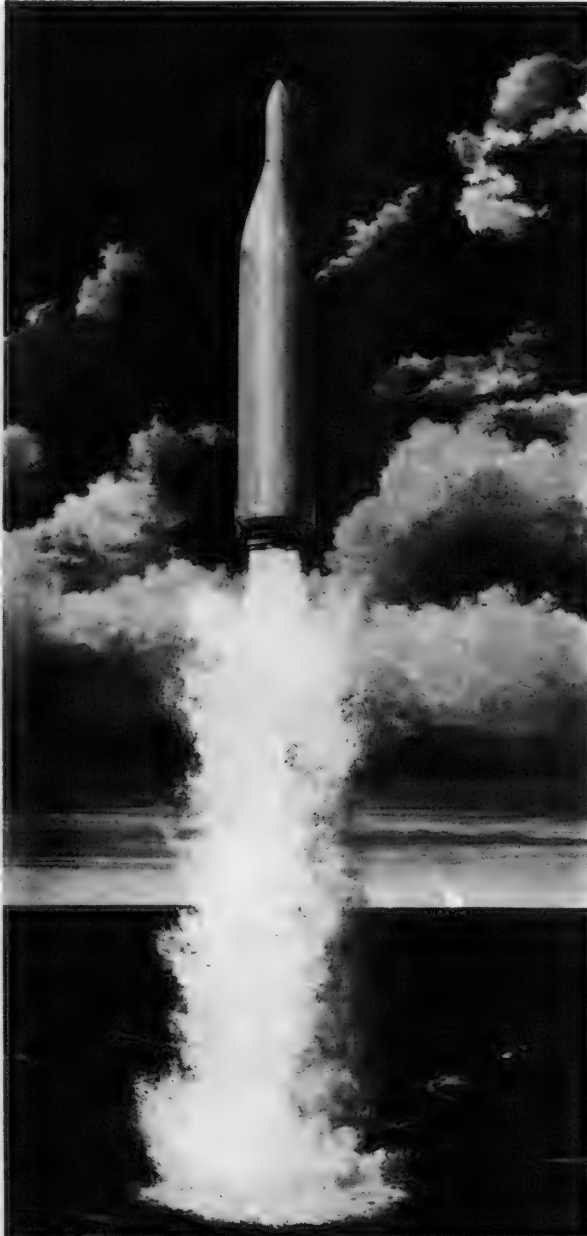
1958

First Polaris test missile was successfully fired in January—one year after the Navy announced its plan for this fleet ballistic missile. Lockheed is prime contractor and Missile System Manager. Polaris team includes Aerojet-General, General Electric, Westinghouse.

e year
missile.
Polaris
ouse.



1959 An accelerated program accomplished methods of launching the Polaris from submerged submarines and surface ships. More than 7,000 scientists, engineers, and technicians work on the Polaris at Lockheed's Missiles & Space Division.



1960 The Polaris is scheduled for active duty in late 1960 — *two years ahead of original schedule*. Miniaturization techniques developed by Lockheed make the Polaris so compact that each of the Navy's nuclear subs will carry 16 missiles.

LOCKHEED

JET TRANSPORTS • JET FIGHTERS • JET TRAINERS • COMMERCIAL & MILITARY PROP-JET TRANSPORTS • ROCKETRY
BALLISTIC MISSILE RESEARCH & DEVELOPMENT • WEAPON SYSTEM MANAGEMENT • ANTI-SUBMARINE PATROL AIRCRAFT
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13. FLAT WALLETS LEGAL SIZE
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(CONTINUED FROM PAGE 26)

tee chairman, becomes board chairman at State-Planters Bank of Commerce and Trusts, Richmond, Va., succeeding the late HARRY HAMIL AUGUSTINE, SR.

GUIDO F. VERBECK, JR., senior vice-president, Morgan Guaranty Trust Company of New York, is named chairman of the finance section of the Community Service Society's 1959 Family Fund campaign.

EUGENE H. ADAMS, from executive vice-president to president, The First National Bank of Denver, Colo., succeeding JOHN EVANS, who resigns. MR. EVANS is named honorary board chairman.

ROBERT W. CAVANAUGH becomes treasurer of The International Bank for Reconstruction and Development, Wash., D. C. He had been chief of the finance division of the bank's treasurer's department.

CHANNING M. HALL, JR., becomes trust officer and secretary, Peninsula Bank and Trust Company, Williamsburg, Va.

G. PIERSON DICK, JR., FLOYD L. JONES, and R. A. MATTHEWS, all

Dorcas Campbell Dies
Just at press time last month, BANKING received word that DORCAS CAMPBELL, vice-president and director of public relations at East River Savings Bank in New York City, and author of numerous articles for financial, public relations, and general magazines, as well as author of several books, had died following an operation.

MISS CAMPBELL, 63, had been a member of the Officers Forum of the Savings Banks of the State of New York; had been frequently interviewed on radio and television; and had been called upon to address local, state, national, and international groups.

Groups with which she was affiliated included the Committee on Women in Public Relations; the United States Savings Bond Division of the U. S. Treasury Department; the National Association of Bank Women; and American Women in Radio and TV.

assistant treasurers, become assistant vice-presidents at Bank for Savings & Trust, Birmingham, Ala.

SIMPSON RUSSELL, president, National Bank of Commerce, Jackson, Tenn., was honored for 50 years of service with the bank by a surprise birthday banquet tendered by his bank and officials of the Tennessee Bankers Association.

(CONTINUED ON PAGE 32)

Phoenix Bank Fetes New Arizona Attorneys



Following ceremonies at Arizona State Supreme Court at Phoenix recently, newly admitted members of the State Bar Association were feted at a luncheon tendered by First National Bank of Arizona, Phoenix. On the far right, Robert F. Dewey, vice-president and senior trust officer, with Chief Justice M. T. Phelps, extends congratulations to John R. Neubauer, Tucson, and Gene C. Himmelstein, Phoenix, two of the 81 young attorneys who were sworn in on that occasion

11

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character-sensing equipment*

New IBM RAMAC 305 with **Series/1200** equipment lets you choose random or sequential methods for demand-deposit accounting with detailed or abbreviated statements as the end result.

Checks of varying size are processed and posted automatically. This system has the flexibility to perform posting in random or account sequence. In both cases the system completely eliminates manual sorting and posting. All accounts are kept constantly updated, reducing overtime expenses in the preparation of statements.

RAMAC allows immediate inquiry into any record, enabling you to know the status of any customer's account. Inquiry may also be made from up to five remote stations.

Like all IBM data processing equipment, RAMAC 305 with **Series/1200** may be purchased or leased. For more information, contact your local IBM representative today.

DATA PROCESSING **IBM.**



Now National City's night transit system is faster than ever

Our messengers pick up and deliver mail at Cleveland airport post office, around the clock. Downtown stopovers are eliminated. This new service can improve availability by one day. If you're not a National City correspondent, contact us for details.

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When a business executive has a problem related to property values, he often goes to his banker for advice.

Whatever the problem—merger, purchase or sale, proposed condemnation, financing, or insurance—many banks confidently recommend an American Appraisal. Such confidence may stem from the bank's own experience with our service, from the experience of other customers, or from our reputation as the leader in the appraisal field for more than 60 years.

Our representatives are available for consultation with you or your customer for exploring the problem and for recommending a type of service best suited to its solution.

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Home Office: Milwaukee 1, Wisconsin
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main street (cont'd.)

Hagan Nominated President of Investment Bankers



John C. Hagan, Jr., founder and president, Mason-Hagan, Inc., has been nominated president of the Investment Bankers Association of America. Nomination is tantamount to election at the association's convention, to be held in early December at Bal Harbor, Fla.

About Banks

ROGUE VALLEY STATE BANK, Medford, Oreg., opens East Medford branch.

SECURITY STATE BANK, Everett, Wash., merges into NATIONAL BANK OF WASHINGTON, Tacoma.

UNION COMMERCE BANK, Cleveland, Ohio, opens its 11th branch. Location: Mayfield Heights.

ROCKLAND-ATLAS NATIONAL BANK of BOSTON, Mass., opens temporary quarters preceding permanent branch on Western Avenue.

CENTRAL VALLEY NATIONAL BANK, Oakland, Calif., starts construction of 3-story head office building to be completed in 1960.

Merger pending approvals: FIRST NATIONAL BANK OF TUSTIN, Calif., into FIRST WESTERN BANK AND TRUST COMPANY, San Francisco.

Merger pending approvals: CENTRAL BANK AND TRUST COMPANY, Great Neck, N. Y., into MEADOW BROOK NATIONAL BANK.

(CONTINUED ON PAGE 133)

Chicago Bank Sponsors Pan-Am Exhibit, Contests

AS part of a promotion of the Pan American Games, held in late August and early September in Chicago, National Boulevard Bank and Pan American World Airways cooperated in bringing to Chicago the prize-winning Brussels Fair exhibit, "Pan American World." The exhibit, a huge, air-supported nylon "world," is an air-conditioned theater in which 150 people at a time were shown films daily of the most recent Pan American Games in Mexico City, and other color films of Latin American countries. It was set up in front of the bank's offices in the Wrigley building.

A freckle-faced 6-year-old with a toothless grin, little Johnny Stanton of Chicago, was awarded two tickets to the games and a coin bank with a savings account "starter" inside for being the 10,000th visitor to the exhibit.

When the games were over, the bank presented tickets for a 3-week jet trip around South America to Mr. and Mrs. Richard L. Blanford,

of Broadview, Ill., who entered the bank's attendance-guessing contest and made the right guess—there were 54,637 in paid attendance at the opening day of the Pan American Games.



Left to right are Pan American World Airlines hostess, Jean Groundwater, Tobias Schaden, vice-president at National Boulevard Bank, O. P. Decker, president of that bank, and Donna Oberhaltzer, Pan American hostess

The OUTLOOK and CONDITION OF BUSINESS

Positive Thinking

BUSINESS leaders and Government officials who are close observers of business trends appear uniformly hopeful that winter will see a resumption of the boom sentiment which marked recovery earlier this year.

At least this was true until the steel shortage began to hurt all over, in lower sales, inventories, orders, building contracts, automobiles, a more unfavorable import ratio, and other directions.

Still the feeling persists that we shall soon be back on the upgrade where we were last June.

The reasoning is not quite clear because most of the evidence indicates little better than a moderate improvement of business in general this next year.

This in itself may be a good reason for confidence because moderate improvement as a rule is healthier than a boom.

Some important industries like housing, utilities, and probably steel, seem to have reached or passed a peak for this cycle, while others, such as autos, feel sure that the best is yet to come. After a spurt in steel to overcome the effects of the strike, it will probably subside and not regain its 1959 highs for a year or so.

Corporate Profits Vary Widely

Look at the corporate profit figures for this year. The percentage increase over 1958 ranges all the way from 338% in textiles and apparel down to 6% for food products and beverages. Both of these extremes, together with percentages given below for automobiles, steel, and other businesses, were the result of special factors and are in no way indicative of actual conditions. Textiles were hard hit by the depression, so that any increase was magnified out of proportion. In the case of steel there was a tremendous bulge in output the first half of this year, to anticipate the strike, but there is no chance that steel for the entire year will show any such expansion. The following data were gathered by the First National City Bank of New York from 808 companies:

	Percent Change
Textiles and apparel	+338
Automobiles and parts	+196
Iron and steel	+153
Railroads	+125
Tires, rubber products	+ 98
Cement, glass, and stone	+ 77
Chemical products	+ 74
Service and amusement	+ 43
Machinery	+ 42
Paper and allied products	+ 39
Mining and quarrying	+ 37
Petroleum and refining	+ 24
Electrical equipment, radio & TV	+ 24
Telephone and telegraph	+ 24
Trade (retail and wholesale)	+ 21
Drugs, soaps, cosmetics	+ 12
Tobacco products	+ 12
Electric power, gas, etc.	+ 10
Food products and beverages	+ 6

Are the 60s Oversold?

Soon the calendar will strike 1960, the start of the best-advertised decade in history, with an advance billing that no previous, unwritten chapter of history ever received. But the closer we come to it the easier we can see that the 60s will be no Sunday School picnic. When we arrive we'll find most of our domestic and international problem children waiting to say "Happy New Year" and looking as untidy and mean as ever.

Technological progress in recent years has been spectacular and was probably no more than a sample of what is coming, provided we do not play fast and loose with the dollar. The prospect of international competition on an unparalleled, worldwide pattern adds zest to the outlook. Competition is the thing we thrive on, although it's no use trying to compete with the communists in the manufacture of news for propaganda purposes. In this age of scientific miracles and

(CONTINUED ON PAGE 144)

Washington

Congressional Tax Review May Become a Major Reform Project

THOMAS W. MILES

LEST there be any misunderstanding about the Mason bill, H. R. 7950, this correspondent will undertake to outline the political realities of the situation so that bankers can make their own appraisal of its chances in the next session.

This is the bill that was introduced by Representative Noah Mason (R., Ill.) in behalf of the American Bankers Association, the Bankers Committee for Tax Equality, the Independent Bankers Association, and the Roth Committee. It sets up a fair system for the taxation of mutual financial institutions in relation to commercial banks. For details see the June issue of *BANKING* (page 37).

Significant Cooperation

At the outset, it is significant that four important bankers groups were able to get together on a measure to redress their tax grievances and arrange with a friendly and high-ranking member on the tax-writing House Ways and Means Committee to introduce a bill for them. That fact has political significance that certainly is not lost on Congress. But with that as an initial accomplishment, what's next?

The Mason bill has become one of many tax proposals pending before the Ways and Means Committee. Normally that would not mean too much. But the Committee is about to undertake a far-reaching review of the Federal income tax system leading to "constructive reform."

The first step to that end will be a series of panel discussions by academicians and specialists in various phases of taxation which are scheduled to start November 16.

When first announced, they were set for November 2. That date became impractical when the adjournment of the first session of this 86th Congress was delayed until September 15. So for a month (through December 18) the committee will hear more than 170 specialists expound the complexities of our labyrinthine tax structure.

Meaning of Tax Reform

Back in May when Chairman Wilbur D. Mills (D., Ark.) released the committee's plans for the inquiry, he stated:

"The immediate objective of income tax reform is reduction in tax rates without sacrificing revenues required for responsible financing of Government. At the same time, tax reform must seek, among other things: (1) a tax climate more favorable to economic growth; (2) greater equity through closer adherence to the principle that equal incomes should bear equal tax liabilities; (3) assurance that the degree of progression in the distribution of tax burdens accords as closely as possible with widely-held standards of fairness; (4) an over-all tax system which contributes significantly to maintaining stability in the general price level and a stable and high rate of use of human and material resources; (5) a tax system which interferes as little as possible with the operation of the free market mechanism in directing resources into their most productive uses; and (6) greater ease of compliance and administration."

It is well to recall this statement in view of the perspective afforded by the interval of five months. This interval also serves to bring out the

emphasis that Mr. Mills placed on "the great amount of time" that will be required by the committee in the drafting of whatever specific legislative proposals for extensive revision that it comes up with.

Although Mr. Mills gave no figure for the amount of time that would be involved, others on the committee estimate it at three or four years, or even five.

That estimate applies to the overall tax revision project. But Mr. Mills' statement was careful to note that "there may be certain areas in which the committee will want to legislate before completing a full review of all areas."

Could the problem that the Mason bill is designed to cure be one of those areas? It could be. The answer is qualified: It could be if the Ways and Means Committee felt there was a public demand. That is a large order for bankers.

How long Congress can put off correcting this tax inequality is another matter. Certainly pressure is increasing, and not just from commercial bankers. Already the mutual savings banks have been warned by a friend, Representative Edward J. Keogh (D., N. Y.), to expect some changes in their tax status.

By-the-Tail

Ways and Means is opening a Pandora's box in tax revision. No one knows it better than the committee members who will be bedeviled by many pressures. All sorts of special exemptions and exceptions have been built into the tax structure over the years, some of them to meet situations that no longer exist.

It should also be recognized that general tax revision is susceptible to all sorts of log-rolling. Disparate and conflicting segments of the economy can reach an accommodation for the sake of certain ends. But those deals come in the latter stages, of course, after a revision bill has been brought out.

It is generally conceded on Capitol Hill that if the A.B.A. and its three allies are to get any place with the Mason bill this coming session, it will be only by dint of a herculean feat in arousing the public to their cause. This is difficult under the circumstances of an election year.

What is more likely is that the efforts of the A.B.A. and its friends will contribute substantially to the concentration of pressure that will spark Congressional action on the whole subject of tax equality. That time is surely coming. When?

A Serious Omission

Although 383 public bills were enacted into law in the first session, there was one that Congress failed egregiously to act on. That was a request by the Administration to lift the 4¼% ceiling imposed in World War I on long-term Government bonds—that is, bonds with a longer than 5-year maturity.

The Administration fought hard to free its debt management operations from the strait-jacket that the ceiling imposes. Afterwards President Eisenhower declared: "I think the very flat refusal [of Congress] to take care of the matter of our long-range financing is one of the most serious things that has happened to the United States in my time."

"This is something that causes great concern, and it must be in some way or other corrected."

The President put it up to banks and the financial community to do a job educating the public "so that Congress will feel the heat of truth about this matter and do something."

In discussing the possibility of a special session on the matter, the President, by implication at least, recognized the role of bankers in molding public opinion. He was talking about the need for further education and noted that "many of the banks came down here opposing" his proposal on the interest rate when he first suggested it. Then he added:

"They have all been converted so

far as I know, and they are now talking about supporting the Administration view very strongly.

"If this happens, then the public and the Congress itself are going to get so educated that there will be no trouble about this."

The consequence of Congress' failure became evident within a fortnight of adjournment. For the first time in 30 years the Treasury set an interest rate of 5% on a 4-year 10-month note. At the same time the Treasury said it could have raised the \$2-billion sought at slightly above the 4¼% ceiling—if Congress had permitted. There will be criminalizations and recriminations about that between now and January 6 when Congress returns—and after.

In the competition for funds in today's money markets the Treasury is admittedly and manifestly unable to bid successfully for long-term money. Money sells for more than the statute says the Treasury can pay. The result, quoting Secretary Robert B. Anderson, "is that we must substantially by-pass genuine savings—the only source of non-inflationary borrowing—in favor of short-term issues which are only a few steps away from being money."

While Congress did permit the Treasury to raise the interest rate on Series E and H Savings Bonds from 3¼% to 3¾%, this action alone was considered inadequate. What the Treasury fears is that "the inflationary debt management policies, which we have no choice but to follow, can undo much of the good that is being achieved through a balanced budget and sound monetary policies."

The Alternatives

Mr. Anderson put the alternatives this way:

"We can choose sound Government financial policies that will foster growth—not of the temporary unsustainable type, but long-lasting and rewarding.

"Or we can choose the temporary expedient of excessive Government spending and money creation during a period of strong business activity. Such practices can readily lead to inflation, which will ultimately dry up the flow of genuine savings and lead to recession, the Number 1 enemy of growth."

A clue to the thinking of perhaps some of the Democrats who blocked the Administration's bid for more

flexible debt management might be found in a comment by Representative Wright Patman (D., Tex.) at a Joint Economic Committee hearing on employment, growth, and price levels.

Mr. Patman was talking to Chairman William McChesney Martin of the Federal Reserve Board and expressed the opinion that "if you cannot keep short-term interest rates down, you certainly will not keep long-term interest rates down." He continued:

"I just feel like the interest rates would go on up and up, and if we have to pay high interest rates, let's pay them on short-term obligations, so we can get rid of them quicker. If we take the lid off now, and you issue 6% and 7% and 8% bonds, 30 and 40 years, it is a long time before we would get rid of them. But if you have to issue 6%, 7%, and 8% bonds, let's do it for just as short a period of time as possible."

Douglas Sees "Scare Talk"

At the same Joint Economic Committee hearing Chairman Paul Douglas (D., Ill.) challenged as "scare talk" the Administration's warnings about inflation. In his opinion the effect has been "in sending down the price of bonds, sending up the interest rates, and sending up the price of stocks."

He asked Mr. Martin directly, "Can you really say that there has been an inflation during this last year?"

Mr. Martin's reply was categorical: "I do not have any hesitation in saying so."

He pointed out that he has been coming up to Congress for almost eight years and in almost every appearance someone raised the same point.

"Yet," he said, "we all know what has happened to the dollar in that period."

He refused to concede that the danger of inflation "has largely departed." Mr. Martin said:

"I am not engaging in scare talk; I am just trying to keep the problem in focus and I now find that the elevator boys and too many other people around the country are more interested in common stocks as the way to riches than they are in fixed-income investment. I think that is a very serious and unfortunate national development."

(CONTINUED ON PAGE 134)

Magnetic Ink's Imprint on Banking

EXPERTS TALK

OVER CHECK

MECHANIZATION

JOHN L. COOLEY

IF you arrived late at the big ballroom of Boston's Statler Hilton that first afternoon of the NABAC convention, you probably didn't get a good seat. Most of the 1,600 bankers registered wanted to hear the "Symposium on Mechanization of Check Handling," presented by five experts.

This is the topic of the times; wherever, whenever it's discussed bank people hustle to hear the latest news. One of the five panelists termed it "the most sensational development" in banking history. All emphasized, in one way or another, the changes it had brought and would bring, not only in check processing but elsewhere in bank operations and services.

Particularly interesting to the Boston audience, it seemed, were the reports on the status of check imprinting with the magnetic ink characters that constitute the common machine language. Bankers

were advised that considerable progress had been made in this difficult area, but that it would take time for the check printers to complete the revolutionary changes necessitated by the encoding. Printing, as a spokesman for the industry pointed out, has been put under the microscope; imperfections that were previously unimportant cannot be tolerated by the new method. Also, the new type font for MICR (magnetic ink character recognition) was not ready for the printers until last November.

1961. However, there's a confident assumption that the remaining obstacles will be removed and that the Federal Reserve System will be able to keep its target date, early 1961, for starting clearance of magnetic ink-encoded checks.

The symposium covered many angles of the great innovation. Going back to the grassroots, JOHN A. KLEY, chairman of the A.B.A. Tech-

nical Committee for Mechanization of Check Handling, and executive vice-president, The County Trust Company, White Plains, N. Y., outlined its beginnings, present status, and significance for the future. He traced the cooperative effort of the American Bankers Association, the machine makers, check printers, and the Fed that culminated in selection of magnetic ink.

Those vital elements, account numbering, check imprinting, and customer cooperation, were reviewed for the NABACers by FORDE U. STEELE, vice-president, Central National Bank of Cleveland.

The printing industry's problems were explained by GEORGE W. MCSWEENEY, president of DeLuxe Check Printers, Inc., Chicago.

JOHN N. RALEIGH, assistant vice-



President Malcolm H. Gibson opened the NABAC convention. Other first session speakers, l. to r., Rev. H. P. Kellett, vicar of Boston's Old North Church; Harold E. Randall, vice-president and comptroller, The First National Bank of Boston, general convention chairman; Erwin D. Canham, editor, *The Christian Science Monitor*, and president, U. S. Chamber of Commerce; Boston's mayor, John B. Hynes; Dayton F. Pauls, president, Citizens Bank of Sheboygan, Wis.; Franklin D. Price, vice-president, Texas National Bank of Houston

NABAC'S 35th

It was convention No. 35, but the first under the new name, NABAC, The Association for Bank Audit, Control and Operations.

The program was as broad as a Boston "A," covering subjects that range far from the check symposium. BANKING reports in detail this month. However, we picked up many Better Methods and Systems ideas during the meeting, and they'll be developed in coming instalments of this department.

Of particular interest to the delegates were the exhibits of bank equipment and services; in many cases brand new products were shown, so the bank men had a preview of what's "faster and better" in banking mechanics. Three leading manufacturers demonstrated check handling equipment that operates at the fantastic speeds which still amaze even bankers.

Malcolm H. Gibson, president of NABAC, and vice-president and cashier, Citizens Bank of Sheboygan, Wis., commenting on the name change from National Association of Bank Auditors and Comptrollers, said there was no reason for fears that auditing and control would not continue to be stressed. "As long as the number of defalcations in banks increase," he asserted, "or remain at high levels and as long as there are many banks lacking an adequate internal audit and control program, there can be no lessening of efforts along these lines."

GENERAL chairman of the convention committees was Harold E. Randall, vice-president and comptroller, The First National Bank of Boston. Vice-chairmen were Malcolm E. Austin, comptroller, Middlesex County National Bank, Everett, Mass.; Ernest W. Lay, vice-president, Second Bank-State Street Trust Company, Boston; and William D. MacKinnon, vice-president and comptroller, The Merchants National Bank of Boston.

Stanley B. Lacks, assistant general auditor, Federal Reserve Bank of Boston, headed the program committee.

reliable, accurate accounting method without the high degree of monotonous, manual clerical labor presently required, in such a way that costs can be stabilized.

LOOKING AHEAD. The real significance is the new role of the operations departments of banks with the introduction of advanced technologies. Mechanized check handling should be considered just another tool in the kit of the operating man



Some of the NABACers who heard the symposium

president, The United States National Bank of Portland, Oreg., covered the system-planning-types-of-equipment angle. ("I think banks have placed too much emphasis on the competitive aspects of hardware and not enough on systems," he said.)

JAMES V. VERGARI, vice-president and cashier, Federal Reserve Bank of Philadelphia, discussed check clearing problems under the new system, and offered some practical sugges-

tions on preliminary bank planning.

Another word before we turn the symposium back to the panel: the discussion in effect did more than point up the enormous advances in bank operations during the past few years. It broadly suggested, in Mr. Kley's phrase: "We are standing only on the edge of even greater technological advances."

The remainder of this report is a condensation of the five experts' views.

THE COMMON MACHINE LANGUAGE

John A. Kley

DIFFICULTIES remain, some in the area of imprinting. Remember, however, that the entire program, while revolutionary in impact, is evolutionary in development.

NOTE TO CRITICS. There's criticism about the final specifications, as published last spring by the A.B.A. technical committee, because of the supposed inability of printers to meet them. And it's been suggested that the specifications could be extended or relaxed and still be capable of machine reading. Perhaps so. But . . . these specifications were designed primarily to be read accurately and dependably by all document readers. The printing industry must upgrade its standards and concepts before any drastic re-

laxation of the specifications can be considered. It would be foolhardy to modify them only to find out a year hence that documents previously encoded could not be read with reliability.

PATIENCE, PLEASE! Suggestion: Do not make impetuous, unreasonable demands on check printers or machine manufacturers during this period of refinement. The printing problem can and will be solved by the same type of positive, intelligent action by this industry and the machine manufacturers as was displayed in reaching the present state of their art.

Regardless of the organizational form, banking hopes to achieve in the automatic handling of checks a

to improve his bank. This will be the time for deeper thinking and more application to duty.

Be Objective and Positive

Enlightened analysis should be given to refinement of existing services and adaptation of new ones. The days of the operating man who resists every suggestion from the sales organization of his bank are numbered. This does not mean that the sales organization is infallible and that every new idea is a good one, but **operational procedures must be approached with a completely objective and positive viewpoint.** Technologies being made available to banks, such as those provided in check mechanization will facilitate this thinking.

The events which have taken place in bank operations in the past

How It All Started

PROBABLY very few people know the motivation behind the inception of the A.B.A. check mechanization program. Back in June of 1953 a memorandum containing the suggestion, prepared by a member of the present Technical Committee, E. T. Shipley, was forwarded by his then president, the late R. M. Hanes of the Wachovia Bank and Trust Company, Winston-Salem, N. C., to his friend, the late Dr. Harold Stonier, then executive vice-president of the American Bankers Association.

Within two weeks of the reception of the letter from Mr. Hanes, a preliminary meeting was held by the Association to discuss the broad aspects of the problem and the approach to a solution of it. That fall a proposal was made to both the Bank Management Commission and the Country Bank Operations Commission [of the A.B.A.] to embark upon a program, and by January of 1954 the first meeting of a steering committee was held.—Mr. KLEY.

decade have been significant. However, we know that we are standing only on the edge of even greater technological advance.

printer must run magnetic ink checks for at least two or three months to make certain that his staff is fully trained and can consistently produce checks that meet standards.

It is suggested that groups of banks may work together to qualify the check im printers in their area. [A committee for this purpose is functioning in Cleveland.]

Perhaps it will be necessary for banks, or a testing center, to test samples of every order run by a printer. It will probably be necessary, on orders of 1,000 or more, that the printer pull selected numbers from his production run, submit them for test, and then reinsert them in proper sequence after the test. Banks must refuse to accept checks below standard.

COSTS. Check printers are estimating that it may cost 5% to 15% more for checks imprinted with magnetic ink because of the extra care required. There's no doubt but that **this additional cost should be borne by the bank,** the primary beneficiary of automatic handling.

Most banks are planning to offer free a 1-line imprint of the name, excluding the address.

CUSTOMER USE. This would seem to be just a matter of supplying magnetic ink items on the next reorder—but it isn't that easy. When Central National of Cleveland, in changing regular, personal account customers from imprinted to numbered and imprinted checks, decided to adopt the numeric proof system of posting, it undertook a crash program of giving customers the checks. Letters and statement enclosures

(CONTINUED ON PAGE 125)

NUMBERING, IMPRINTING, AND THE CUSTOMER

Forde U. Steele

NEVER has the future of bank operations depended so heavily on the customers. Unless they will use magnetic ink checks, treating them as in-put items rather than negotiable instruments, the mechanization of check handling will be less profitable than bankers expect. Therefore every step in account numbering and imprinting must be planned with a view to customer cooperation.

No sorting machines can process checks in the condition of many now received in the banks. However, the favorable experience in teaching people to handle punched card checks properly indicates that **educational programs will reduce the number of rejects due to physical mutilation.**

NUMBERING. A first decision is whether the numbering system should be designed primarily to facilitate the sorting or the posting operation; requirements of these operations may not be identical. Since for most banks the larger part of the cost savings will be in check handling, it's logical that **the numbering system be designed primarily to facilitate sorting.**

The numeric numbering system, because there are fewer and smaller gaps between numbers, provides for

the greatest efficiency, both in a computer and on a MICR sorter. It also provides more amply for future growth.

[Parenthetically, Mr. Steele expressed the personal opinion that the banking system will be better off if city banks do not provide electronic check processing for their correspondents. In view of competitive pressures, "it would not be long before rate cutting and even free check processing would become the principal sales tool in the correspondent bank field."]

PRINTING STANDARDS. Because the quality of the magnetic ink printing on checks is the heart of automatic check handling, and since so few printers are yet qualified to imprint it, banks must take the initial responsibility for **making sure that only acceptable items enter their check handling system.** They can be reasonably certain of accomplishing this by permitting customers to use only checks imprinted by qualified printers and by evaluating an adequate number of samples from each imprint order.

The principal objective in qualifying printers is to make certain that they can meet the required standards on a production basis. **This usually means that an im-**

In the center of the group at the right is Secretary of the Treasury Robert B. Anderson as he attended the World Bank and Fund meeting held recently in Washington. He is governor of the Bank and Fund for the U. S. Alternate governor of the Bank and Fund for the U. S. is Under Secretary of State C. Douglas Dillon (right). At left in the picture is Francisco J. Lainez, alternate governor for Nicaragua and managing director of The National Bank of Nicaragua

HERBERT BRATTER



The Dollar Turns a New Face Toward the World

Treasury Secretary Voices a Reappraisal

ON THE world stage today the U.S. dollar no longer stands virtually alone as the symbol of strength. As is well known, other currencies have been growing strong and other countries have been gaining reserves at our expense. Reflecting the changed balance of financial forces have been the heavy gold outflow and the substantial increase in foreign balances held here during the past two years. While the facts have been apparent for quite some time, it came as something of a shock when the Secretary of the Treasury in late September warned the finance ministers and central bankers of nearly 70 countries that the U.S. does not intend to allow this situation to continue indefinitely.

World confidence in the dollar depends partly on how we manage our economic and financial affairs at home, and also on how we manage our international transactions. The Administration is doing what it can in respect to fiscal policies to maintain the value of the dollar internally. The weakness of the dollar abroad in terms of other currencies arises from both our own activities overseas and from the policies pursued by other countries. The adverse balance of payments situation of the U.S. pointed to by Secretary Anderson may be remedied by changes in the policies of other countries or by changes in some of our policies. Mr. Anderson warned in effect that, if other countries do not change their

trade and aid policies, we shall sooner or later be forced to change ours. To achieve what the Administration wants will take more than words.

One thing other countries can do to restore balance in U.S. international payments is to buy more U.S. goods and services. The Administration is counting on some progress in this direction in coming months, as other countries reduce their discriminatory regulations against dollar goods. The other big thing prosperous industrial countries in Europe and Japan can do is to take over a share of the load of aiding underdeveloped nations.

Steps Open to U. S.

If insufficient relief for the U.S. balance of payments is forthcoming from such measures, the U.S. itself may reduce its adverse balance of international payments by cutting down on its grants and loans to other countries, by reducing our heavy military spending abroad and leaving it to our allies to pay their own defense costs and, thirdly, by bringing about a reduction in the volume of our purchases from foreigners. Mr. Anderson's warning suggests that some of these changes may come about if industrial countries which have been restored with

(CONTINUED ON PAGE 81)

Meet PRESIDENT REMINGTON

THE very nature of the banking process, says John W. Remington, new president of the American Bankers Association, "has always impelled the banker to plan for the future."

This forward-looking attitude characterizes John Remington's public statements and his own interesting and varied prebanking career—from his assignment as cook on a sub-chaser in World War I to his selection as assistant United States attorney for the Western District of New York. It certainly applies to his banking career, which has placed him in the presidency of the Lincoln Rochester Trust Company, Rochester, N. Y.

"Too few banks," he says, "are making any systematic analysis of where their institutions are headed.

While it is encouraging to observe that some institutions have created the position of 'planning officer' or the equivalent, the surface has only been scratched. For the great majority of our banks, a full-fledged department or full-time personnel assigned to planning would be impractical; but few can find a genuine excuse for not systematically keeping a weather eye on several key areas of future prospects."

It is appropriate that careful examination of the future is a characteristic of the man who has been chosen to head the country's organized bankers at this time.

The threat of inflation and the Association's program to show the citizen what he can do about it; the need for further revamping of banking laws in Washington; the unre-

solved matter of tax equality as between commercial and mutual savings bankers—these are only a few of the problems that will call for careful planning ahead and a high degree of statesmanship in the top place in the nation's banking profession.

In connection with the first of these problems—inflation—President Remington has said: "While the recent upturn in business has been encouraging, I have also detected in my travels a widespread concern over the danger that inflationary pressures may be intensified in the months ahead. This has introduced a sobering note into the question of whether further business expansion and economic growth beyond current levels will be balanced and firmly based.

President and Mrs. Remington



"Certainly the situation in the steel industry has focused attention on the inflation issue. The man-on-the-street is being told that the relationship between wages and prices does have an impact upon the value of the dollar—or the purchasing power of his income and savings—and he is becoming concerned about it.

"The stakes in the battle against inflation involve the very survival of our country," Mr. Remington declares. "Without a sound and stable currency, our nation's economic strength would be impaired; the growth and efficiency of our productive machinery would be retarded; and we would lose the race for continued supremacy over the forces of world communism.

"I am confident that the American people will face up squarely to the issues involved and will not permit the battle to be lost.

"Enlightened leadership—including that afforded by important groups such as banking—will be needed, and I hope that each of you will accept the challenge to provide that leadership in your communities."

Tax Equality

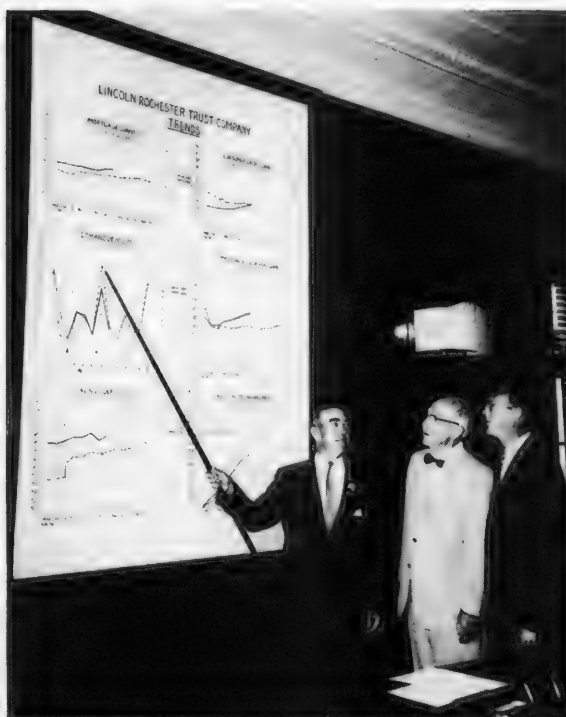
On the matter of tax equality, President Remington has said: "Over the coming months, there will be increasing discussions of it from all angles. Viewpoints will have to be sifted and educational work will have to be done—not only among bankers and other parts of the financial system, but among tax authorities and the Congress itself. As I stated before, this is a political process. It will take much hard work and teamplay to achieve our objectives, but I believe we are making real progress. Whether we shall continue to do so will depend upon the strength with which we rally our forces toward the goal of a stronger banking system and equity in taxation among financial institutions."

To Banking via Law

John W. (for Warner) Remington came to banking by way of the law. As an outstanding young attorney, he was chosen in 1930 by Raymond N. Ball as one of a team to operate the Lincoln-Alliance Bank & Trust Company of Rochester. Mr. Ball, who had left his position as treasurer of the University of Rochester to head the bank, asked young Rem-



ABOVE: Mr. Remington (right) with Swayne P. Goodenough (standing) and David C. Barry, both former senior vice-presidents of Mr. Remington's bank



RIGHT: Mr. Remington (holding pointer) with Lincoln Rochester Chairman Raymond N. Ball and Executive Vice-president Wilnot R. Craig

ington to be trust officer; David Barry to take charge of commercial and personal loan activities; Fred Whitney to manage the new business department; and Swayne Goodenough to head advertising and public relations.

Five years later the bank's trust officer, youngest of the original team, became vice-president, in 1950 executive vice-president (and trust officer), and in 1954 he succeeded Mr. Ball in the presidency.

Meanwhile, in 1944, the Lincoln-Alliance had merged with the

Rochester Trust & Safe Deposit Company to form the present institution, which had deposits, on December 31, 1958, of \$357,104,231.54.

At the time of his move to the Rochester bank, Mr. Remington was a member of the law firm of Remington, Remington & Keating. The last named member of the firm is now a member of the United States Senate.

In announcing Mr. Remington's move to the bank, Mr. Ball said: "Mr. Remington's success as practicing attorney, his familiarity with the handling of corporate matters and

also estates, together with the possession of those human qualities which are so necessary today in the handling of affairs entrusted to a trust department, has led to his appointment."

A native of Rochester, John Remington attended the public schools there and entered the University of Rochester.

The Railroader

An article about this native son, appearing in the *Rochester Times-Union* in May 1955, describes what happened then:

"It was at the close of his freshman year at UR that Remington took a job as a conductor on the old Rochester and Manitou Railroad, working summers while attending college here. The railroad ran from Charlotte to Manitou in the resort season only.

"We received 25 cents an hour, with no overtime, on that job," he recalled. "My regular run was for 11 hours, 40 minutes daily and 15 hours on Saturday and Sunday, and in one 15-day period I found that I had

worked 197 hours. It sounds a little rugged but I enjoyed every minute of it."

"Last year, Remington celebrated his 40th anniversary as a conductor on the now defunct line with a party for his old associates. About 80 attended. They came from many distant places to reminisce about the 'good old days'."

On the occasion of this reunion, the former conductor told a reporter: "We didn't have enough

money in those summers to rent rooms, so we bought a tent and lived in it along the tracks. There were three of us, all students working summers as conductors, living in that tent."

The same article summarizes Mr. Remington's unusual World War I experience thus: "A World War I veteran, Remington enlisted in the Naval Reserve in April 1917 as a seaman and was assigned to a sub-

(CONTINUED ON PAGE 112)

"SPARE TIME"—As the Association's president, Mr. Remington will do even more traveling than he has done in the past year. (He insists on packing his own grip.) It's a safe guess that he'll still find some time for his hobbies, however, including baseball, golf, bridge, and mushroom collecting. He is shown below with John W. Remington II and 1950 National Amateur Champion Sam Urzetta, who is pro at the Country Club of Rochester



Inflation, Credit Control and Interest Rates

The following questions and answers are the first half, approximately, of a booklet to be published about November 1 by the American Bankers Association's Committee for Economic Growth Without Inflation. In its introduction to the booklet, the committee says, in part: "The main thesis is easily stated: That, if we are to achieve orderly economic growth and a dependable dollar, we must have flexible credit control policies and fluctuating interest rates. In addition, an attempt is made to set the record straight on certain misconceptions regarding the banking business."

THE SITUATION IN BRIEF

Mr. Banker, in recent years all of us have been hearing a great deal about inflation, credit control and interest rates. Are these things important to the average citizen? Can the layman understand them? And if so, what are they all about?

THE ANSWER to your first two questions is emphatically "Yes." These subjects are of great importance to you and to all Americans, and you can understand them if you put your mind to it.

Why are they important to you? For one thing, they directly affect your pocketbook. They influence what your money is worth when you spend it today and what your savings, your pension, and your life insurance will be worth tomorrow.

Taking a broader view, these things all tie in with the whole problem of achieving economic progress, higher living standards, more jobs and job security, for all Americans.

Inflation, credit control, and interest rates are, of course, very

broad subjects, and there are plenty of aspects on which the experts disagree. Nevertheless, the basic principles are surprisingly simple, and there is widespread agreement on them among competent students.

What Do We Want?

First, though, let's consider what we want from our economy. Most people would agree on these main points:

One, we all want to raise our standard of living. To do so, we must have growing production and employment. With our population increasing, industry must continue to expand over the years to provide more jobs and produce more goods for everyone.

Two, we want to avoid a depression. That certainly needs no spelling out. A depression would be bad news for almost everybody.

Three, we want to avoid inflation. We don't want to have our dollars buy less and less from one year to the next.

In short, we want to achieve continuing prosperity and reasonably stable prices—in other words, sustained economic growth without inflation.

Money Can't Manage Itself

To achieve these goals, it is essential to keep money and credit from getting out of hand. Money and credit perform indispensable roles in our economy. However, history shows that they do not manage themselves. If left unmanaged, or if mismanaged, money and credit can cause serious trouble.

On the other hand, proper management of the volume of money and credit can contribute greatly to promoting orderly economic growth. In fact, sensible monetary management—credit control, if you prefer—is an absolutely essential ingredient in economic stability.

This tough task has been assigned by Congress to the Federal Reserve System, headed by a 7-man Board of Governors. These "monetary authorities" are strictly non-political. Their sole objective is to promote the general welfare. Their main job is to regulate the total volume of bank credit so as to foster stable economic progress.

Flexibility Is Essential

To perform this duty, the Reserve Board's policies clearly need to be adjusted to economic conditions. When demands for credit are strong, the Board must refrain from making too much credit available, for that would cause inflation and lead to boom-and-bust. Conversely, when business slows down, the Board should and does ease credit conditions by making bank credit readily available. In other words, monetary policy must be flexible.

When demands for credit are heavy relative to the available supply, some would-be borrowers are naturally unable to borrow as much as they would like to, and this is the condition often referred to as "tight" money. Conversely, when the supply of credit is plentiful relative to demand, we have "easy" money.

It follows that, if the Board's credit control policies are to be flexible, then interest rates must be free to fluctuate, to rise at times and to decline at other times. Interest rates are the prices of various kinds of credit. They reflect the supply-demand situation in the credit markets. They are bound to rise when credit conditions tighten, and to decline when credit becomes easy.

In short, flexible monetary policy and fluctuating interest rates are essential for keeping our economy on an even keel. They are indispensable for achieving economic growth without inflation.

WHY DO LIVING COSTS RISE?

In general, I would agree with you on what we want from our economy, but I'm not sure that I follow everything you have said about credit control and interest rates. First, though, let me ask you just what you mean by inflation. And also, what are the causes of inflation?

THE TERM "inflation" is used by different people to mean different things. Economists, of course, have all kinds of fancy definitions for it, some of which are very technical and confusing.

For our purposes, though, we can use "inflation" simply to refer to rising prices—a rising average level of prices of all kinds of goods and services. Most people think of inflation in terms of the prices of the things they buy, the cost of living, and that, too, is good enough for our purposes.

What causes inflation? Different things at different times and in different combinations. Sometimes inflation is a matter of too much money chasing too few goods—referred to as demand-pull inflation. Sometimes rising production costs contribute to pushing prices up. Usually an increase in the price level reflects a combination of both demand-pull and cost-push.

Spiral to Trouble

Wars are notorious breeders of inflation. Major wars are always financed largely by expanding bank credit, and they also produce other pressures on prices. Much of the inflation of the past few decades in this country was unquestionably caused by World War II, and some by the Korean War.

However, we obviously cannot blame World War II or the Korean War for the further rise that has taken place in prices and living costs in recent years. The explanation for this more recent inflation is more complex, but we can at least identify some of the factors that have contributed to it.

For one thing, prices often rise during good times. In many areas, heavy buying tends to produce higher prices. In some industries, there is strong temptation to raise prices and often to grant substantial wage increases. And, if the general level of wage rates through-

out the country rises too rapidly, this is bound to exert strong upward pressure on the prices of many products. Rising prices in turn stimulate further demands for greater wage increases.

This is the familiar wage-cost-price spiral that has clearly been in evidence in the United States for a number of years. Once started, it is hard to stop.

It's Your Money

Another inflationary factor in our economy has been the financial operations of the Federal Government. Huge governmental expenditures exert upward pressure on prices in many areas. This is especially true of subsidies and price support programs. Also, Government lending and guarantee programs have had an inflationary impact in some sectors of the economy.

The relationship between governmental revenues and expenditures—the deficit or surplus in the Federal

budget—is particularly important. Failure to achieve budgetary surpluses in good times has added greatly to inflationary pressures. Also, this and other governmental policies have made it difficult for the Treasury to manage the public debt in a non-inflationary manner.

Other factors could be cited but these are clearly among the most important reasons for the rise in prices in recent years. Moreover, even though living costs may be stable at times, these basic difficulties have not as yet been resolved. Until the wage-cost-price spiral has definitely subsided and until the inflationary policies of the Federal Government have been corrected, we cannot afford to be complacent with respect to the inflation problem.

DOUBLE DANGER

You have mentioned both the threat of inflation and also the danger of
(CONTINUED ON PAGE 120)

Target © INFLATION

In the article starting on page 49 are included samples of questions and answers on interest rates and inflation in a booklet soon to be published by the American Bankers Association. The publication is a first step in the Association's anti-inflation program and will be available for banks to distribute to customers.

And to emphasize still more the . . .

Anti-Inflation Golden Rule—Get Your Money's Worth

On the opposite page 

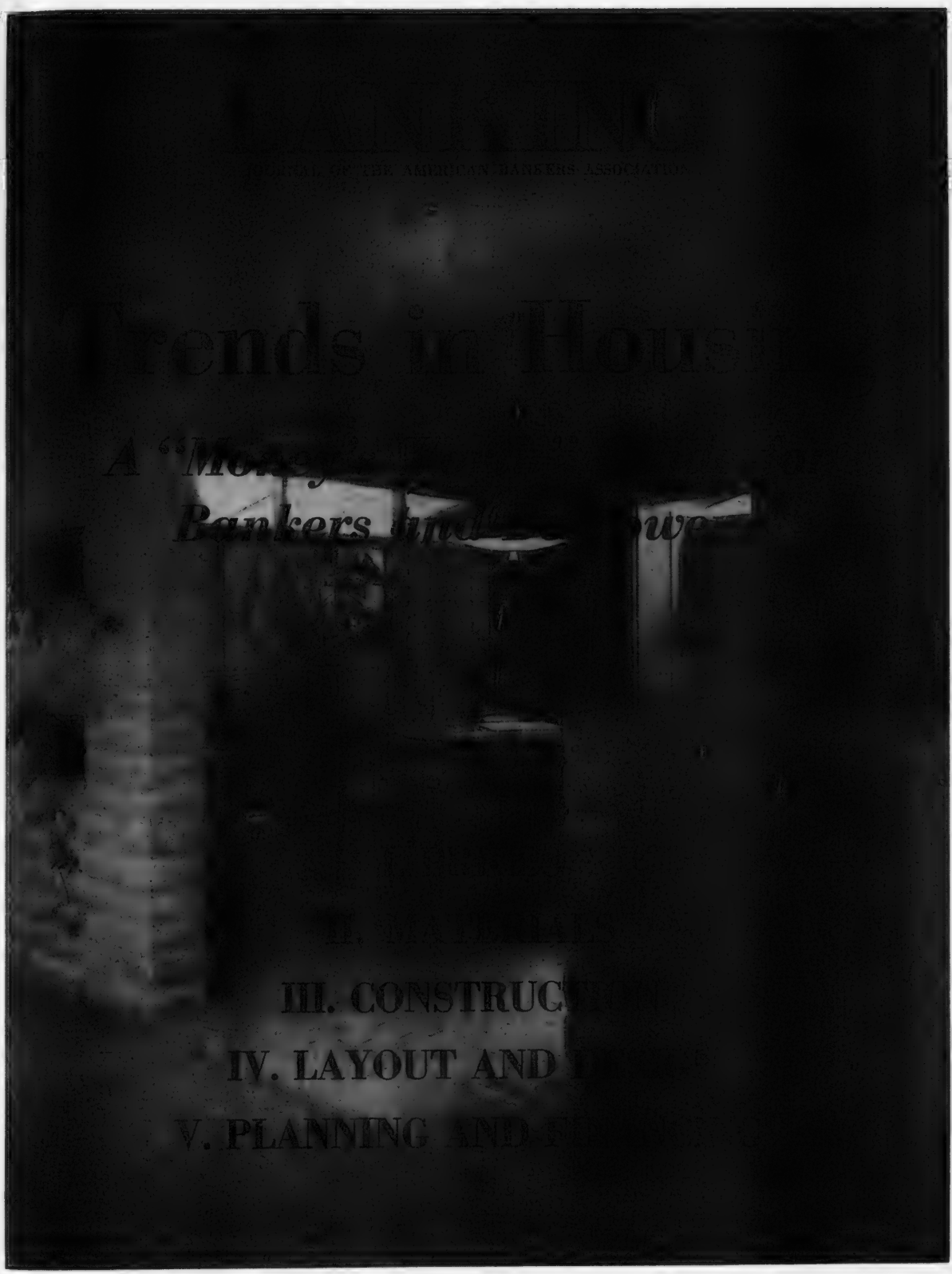
BANKING selects a single, sensitive area on the inflation front—housing—and gives it a special kind of treatment, with no holds barred.

Of all the actions an individual can take to block inflation the most simple and effective rule and closest to his heart is "Get your money's worth when you buy or invest."

Basic in the fight on inflation is that families should guard the value of their cost of living dollar. Bankers, as mortgage lenders, are concerned with this same thing, hence this frank look at housing with special attention on rising costs and falling values, and the banker's role in stopping both.

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MANAGEMENT
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Trends in Housing

A "Money" Magazine Special
Bankers and Home Owners

- II. MATERIALS
- III. CONSTRUCTION
- IV. LAYOUT AND DESIGN
- V. PLANNING AND FINANCING

Housing in the United States, plus furnishings, equipment and maintenance, is a business exceeding \$100-billion annually. It is expanding at an average rate of \$6-billion annually. Costs, particularly of construction, have crept upward much faster than the average costs during these years of creeping inflation and the consensus is that this will continue. Equally important is the factor of changing styles, materials, ventilation, equipment, and neighborhoods which jeopardize values and make a house obsolete almost before the buyer can move in.

Behind this enormous business stands the banker.

Unless he joins the fight to protect values and curtail costs, inflation will strain the credit supply and restrain the demand.

Housing Demand in the 1960s

	Million homes
Increase in number of households	11.0
Replacements for today's substandard units	1.5
Replacements for tomorrow's substandard units	3.0
Needed for mobility and migration	0.5
TOTAL NUMBER OF NEW HOMES NEEDED	16.0

Estimated by the National Association of Home Builders

I. PRICES

This is an interview with Col. E. H. Boeckh of Washington, D. C., whose index numbers of housing costs are extensively used by Government agencies and others. His firm, E. H. Boeckh & Associates, developed the Boeckh Manual of Appraisals, which is widely used for tax equalization work throughout the U. S. and Canada by tax assessors and also by banks for mortgage lending and by insurance companies in developing insurable values. The Boeckh Index of Construction Costs is carried in leading Government statistical publications and in many technical journals as well as in the firm's own monthly, Construction Costs.

Q. What is the outlook for housing prices?

A. National average construction costs have risen 180% since 1940. In the past year they have risen about 5%. The outlook is for more of the same. We have today so many built-in inflationary elements, particularly wages, that costs are bound to increase. Just as an example, wage settlements effected in Cincinnati in mid-June 1959 gave bricklayers not only a wage rise for the current period, but other built-in benefits; and they will get an extra 15 cents an hour in mid-1960. The carpenters settlement in August gave an immediate wage hike of 15 cents and another on January 1, 1960, of 2½ cents.

The wage pressure on materials manufacturers is continuous. Thus, the cement people guaranteed their mill prices for the rest of 1959, but before the year ends they face either additional wage costs or a strike. What has been going on in steel labor during 1959 is another obvious example. A good many small steel elements, starting with nails, go into a house.

Pick out at random any of the more than 50 metropolitan areas separately covered every month in the Boeckh Building Index Numbers. Take Los Angeles. The index, based on 1926-29 as 100, averaged in 1958 268.6 and in August 1959 it was 281.7 for frame houses.

The interior on the preceding page was designed by Edward H. Fickett, AIA.

In the same city for brick residences the index rose from 277.9 to 291.3

Lower Standards

Q. What is the effect of constantly rising costs on the quality of materials being put into new houses?

A. The effect is that the builder is constantly being pressured to find ways to hold down the cost, by using cheaper materials and by using more economical designs to reduce labor charges.

In recent years you have seen many houses built with rooms too small to accommodate properly the furniture they should contain; with too little storage space; houses without basements or attics and with inadequate closets.

There has been a continuous downgrading of lumber standards since World War II. Standards have been lowered by the lumber associations and by the Government. Now there is a movement afoot to make studs and other building elements smaller than customary in the past. Cheaper grades of floor coverings and roofing materials are being used.

Q. Obviously this must affect the true worth of a new house?

A. The prewar house, built under the better standards prevailing in those days, in all probability contains much better materials throughout than the corresponding house of today. The plumbing and some of the equipment may be a little old-fashioned by 1959 criteria, but it is more solid. Today if you drop a bottle onto an enameled tub or basin, you are apt to dent it.

Spiraling Wages

Q. So, as a result of ever spiraling wages, are we getting less house for more money?

A. Not only wages. Before the war you did not have so many different profits being taken out as today. You paid an architect for a set of plans and you hired a responsible builder. But today there are very few builders in the true sense; there are promoters of real

estate. The promoter pads the architects' fees and the builders' charges and of course all this shows up in the price the home buyer has to pay.

Ninety-nine percent of the public know nothing about construction. And there is no real inspection of property, because the average purchaser won't pay anything for it. Recently I was called in by an owner to inspect a house being built for him under contract. It was terrible. Junk was being put into the house; it wasn't up to contractual specifications at all. But few houses nowadays are built on contract.

Q. Is there anything the lender can do to improve this situation?

A. So long as he is insured, the lender may be inclined not to give a rap what kind of paper he gets. But lenders are beginning to watch more closely and there you can now get some protection. The insured lender often does not worry about quality but he should.

Q. Federal insurance of mortgages has certainly done a lot to stimulate home-building, hasn't it?

A. No doubt, but it is a fact that from 1924 to 1928 without Federal insurance we sold more houses per capita than we are selling today with Government support. Today's paternal effort, under the guise of putting up housing for the poor man, has not, on a per capita basis, equaled the record of the 1920s.

Q. Getting back to quality, do you anticipate further cheapening of components, cheapening in quality?

A. There are all sorts of new components and materials coming on the market, but you cannot tell how they will hold up. The pressure to use such materials is strong, however, provided they cost less than older and tried materials, for the reason I mentioned, wage costs. Labor will keep costing more and more until we get a shake-down. Some factors today are commencing to remind me of 1928; excessive credit, for example. Today houses are being bought entirely on the cuff. The

situation has been saved only by inflation, for if you have to re-sell such a house, inflation covers up the depreciation.

Considering the cheaper components and all, the real cost of a house today has gone up more than even the nominal cost, shown in the indexes. And, as I say, the number of profits taken inflate the cost. In the old days we had maybe a couple of hundred thousand builders, legitimate builders. Today we have the big promotional builders. And the Government is fostering poor housing and is deliberately allowing a greater markup to an incompetent contractor than it allows to a competent one. Why, I don't know. But it runs up housing costs.

Q. What are some other factors that affect the future value of today's new house?

A. Well, zoning. Real estate values are affected by changes in the neighborhood. Such changes may take value away from a house fast. Since the war, land has become scarce in metropolitan areas. This has pushed builders into uncontrolled areas having no restrictions or zoning. They buy up a farm and build a community. But later a factory or shops come into the area and the value of nearby houses is hurt.

The Slums of Tomorrow

When housing is not thoughtfully constructed, as to neighborhood, design, and materials, when it is just a "cheap" product priced to sell quickly, you may find that what has been built are the slums of coming years. The next slums will consist of 2-bedroom houses; basementless houses built on slabs, as has already been learned in the north; houses built of inferior materials and components.

You don't get your money's worth out of cheap construction.

Q. What is happening to home design which may affect values?

A. Gordon Lawler, editor of *American Lumberman*, said something recently with which I agree. Editorially he wrote:

With few exceptions, this year's crop of homes for National Home Week offered little new or exciting. Most builders trotted out warmed-over creations, which could have been built five years ago.

Even sound designs, offered by national magazines, were butchered to save a few bucks or because many builders just have taste in their feet. The interior furnishing of the models was often hideous, detracting from the basic house itself.

A "must" for 1960 will be fresh designs in keeping with the growing awareness of the public for what's good, what's bad. The dealer who guides or demands some control over house design, will surely sell more material in the face of a moderate national decline.

Why do builders shy away from new merchandise which could increase house salability? They accept an over-all material—aluminum, for example—but often reject many individual products now on the market. Their prejudices are often irrational and bar from homes products with customer appeal, which would add little or no extra cost to the home. Again, it seems to us that the dealer must push his builders stronger for installations of improved or more attractive products.

Home Building Costs

1950-1959

	COST INDEX*	AVERAGE COST
	<i>Small residential structures</i>	<i>New 1-family homes</i>
1950	107.7	\$ 8,675
1951	116.0	9,300
1952	119.1	9,475
1953	121.2	9,950
1954	120.3	10,625
1955	123.9	11,350
1956	129.4	12,225
1957	131.8	13,025
1958	133.0	12,950
1959	136.3	—

* 1947-1949=100

SOURCES: U. S. Dept. of Commerce and E. H. Boeckh & Associates.

The cost index shows the mounting effects of inflation, but it doesn't tell the whole story. The average cost of new, single-family dwelling units has risen faster than the cost index because people not only must pay more for what they get, but are demanding more in the homes they buy

II. MATERIALS

These observations are based on an interview with Charles P. Redick, director of the Building Materials Division of the Department of Commerce, and several other governmental officials close to this subject.

THERE is increasing use of aluminum and concrete in homebuilding. There is a definite trend toward combination heating and cooling systems. The heating system of a new house should of course be adequate but it would be advantageous from the standpoint of maintaining the value of the house if an adequate cooling system could be added, especially in the warmer parts of the country. Warm-air furnace manufacturers are now making combination units for heating and cooling. A recent development in hot-water and steam systems is the pumping of cool water through the pipes in the hot weather.

Electric heating has just taken a big stride, but it is complicated by the fact that there are too many in the business who are not heating engineers. The Institute of Boiler and Radiator Manufacturers has developed a chart on heat loss for use in home building, but it takes a heating engineer to apply it correctly. Electric heating has tremendous possibilities. It needs no ducts, no central furnace or boiler. With it one may heat one room at a time. With electric heating each room should have its own thermostat. Electric heating obviously requires that the local electric company give a reasonable rate for heating. And it should be properly designed and calculated by a competent heating man.

The big market for electric heating should be the tract builder. Electric heating is much cheaper to install in a new house than oil or gas heat, requiring no boiler or chimney. It has tremendous growth possibilities, providing that bad engineering in its infancy does not kill public acceptance. From the standpoint of the electric company it offers the prospect of replacing in cold weather the air-conditioning demand for current in warm weather.

The dramatic rise in the use of aluminum in houses is still going on. But the metal must be used correctly. One company is selling an aluminum siding panel with the paint already baked on. If aluminum siding is used, the builder should make sure that the house is adequately insulated. Aluminum window frames, venetian blinds and screens are becoming very popular.

There has been a big increase in the use of fiberglass in homebuilding. Natural-wood kitchen cabinets are becoming popular. Stainless steel kitchen sinks are coming to the fore. They clean more easily than other types, cannot chip and can take much more punishment. The two most important rooms in selling a house are the kitchen and the bathroom. Ceramic tiling in the bathroom can add a good deal to the

value of a house, as compared to plastic tile. Vinyl tiles are easy to clean and are regarded as superior to asphalt tile.

There is going to be continued emphasis on ease of living and low cost of maintenance in new houses, a Washington construction economist informs BANKING. Materials used on interior walls will be selected with these objectives. Modern wall materials require to be painted or papered less frequently than older materials. And when they have to be re-decorated, it can be done more easily. The same is true of external walls. Aluminum walls need only to be washed. Similarly, where galvanized heating ducts eventually rust out, aluminum ducts do not.

The use of better, more efficient materials in houses is important from the standpoint of maintenance of value. When people cannot afford to maintain their houses, value is hit; and not only the house in question but the neighborhood is affected. So the objective of builders is low-maintenance cost. That is where

A foamed plastic core sandwich panel will undergo the test of actual use in NAHB's research house in South Bend



design comes in. A simply designed house is much easier to maintain than a complexly designed one. Many houses built in the early decades of this century were decorated with a lot of fancy millwork, difficult and costly to maintain. Simplicity of design is as advantageous in the interior as in the exterior. People want walls, floors, windows and equipment easy to clean and maintain.

Many new housing materials have been developed by industry in recent years, but a considerable proportion of them have not yet gained the approval of the FHA or of local building authorities. Unfortunately, facilities seem to be unavailable to do the kind of testing that ought to be done so that the builder may know how much of a risk he is taking in using something new. Defects may take years to show up. Some universities and others are doing some testing, but not on the scale that is desirable.

Prefabricators have gone farther than conventional homebuilders in using new materials and processes. We have the all-aluminum and the all-steel house. We have sandwich panels and plywood panels. Prefabs offer many advantages in cost production; not only in

the manufacture of panels and the like, but in on-site costs. For instance, bad weather may interfere with the building of a house on the site; but it does not interfere with the work done under a factory roof. Lighter, modern materials also entail economies in foundations and other structural components.

The use of prefabricated components fits in with the trend toward economy in weight and price. Factory-made components can be installed with a minimum of cutting, fitting, and other work. This method forms quite a contrast with the old-fashioned building of the frame right on the site, the carpenters fitting and measuring each piece and accumulating a pile of waste.

Nowadays prefabrication may occur on the site as well as in factories. Very often the builder has a shop at the site of a project, making wall panels at less than factory cost.

Not so long ago all window frames were made by carpenters right on the spot. Now windows and frames—and doors and their frames—may be bought prefabricated. Incidentally, windows removable for washing are increasingly being used. And prefabricated closets may be bought knocked down.

III. CONSTRUCTION

Pleasing patterns from unusual materials are in this home in Beverly Hills, Calif., planned by Richard Dorman, AIA



In this interview questions concerning the past, present, and future of the home building industry were posed to Ralph J. Johnson, director, Research Institute, National Association of Home Builders. From the vantage point of his position, Mr. Johnson is especially qualified to observe the trends and to interpret the future in home building.

Q. Mr. Johnson, would you tell us briefly something about the National Association of Home Builders and the objectives of the Research Institute as they bear on housing trends?

A. NAHB is a nonprofit trade association of home builders, organized for the purpose of serving the home building industry. It has over 40,000 members and more than 325 affiliated state and local associations. It carries on a number of activities and services including public relations, legislative activities, and technical services.

The Research Institute is a part of NAHB. Its objective is to try to help builders provide a home that has better living value at a lower cost in all price ranges. We pursue this objective by building research houses; making grants to universities and other laboratories to do research work; field testing new methods, materials, and equipment; by specialized studies; and through our own research and development laboratory.

An Era of Change

Q. What has been the character of change in the housing industry since World War II?

A. During the period since World War II, there has been more change in the character of the home-building industry than during all of the preceding history. Today home building is a process wherein the builder, through proper financing, land acquisition and development, design, construction, and sale, literally combines thousands of pieces to produce housing for unknown buyers at a predetermined price. The lead time in this process may range from several months to more than a year.

Before World War II, the majority of homes were built for a known buyer on a "sold" basis. Today, approximately 85% of the new homes are "manufactured" on a "for sale" basis. In the course of this fundamental transition, home building has evolved from a craft to an industry.

Substantial progress toward reducing cost and improving living quality has been made. According to a recent study of the U. S. Department of Commerce, the value index for new housing has increased 53% from 1947 to 1956, while the cost index (Boeckh-Residential) has only increased 39%. Further, the study states, "Of all building types, the dwelling unit came closest to having cost savings offset the expense of added features . . ."

Q. In view of what you have just quoted, would you say that the postwar house, to which you have referred, retains its value for resale better than a prewar house made to order?

A. Yes, I believe it does. The reason is twofold. First, the postwar house incorporates many cost savings due to the industrialized approach which makes it possible to provide more living quality per dollar. Secondly, the postwar house is carefully designed for a broad market rather than for the specialized desires of an individual buyer.

Home Buyer's Chief Concerns

Q. Out of the NAHB experience, what would you say are the main concerns of the new home buyer?

A. Aside from the question of buying a house that suits his wants, the buyer appears to be concerned with two questions: (1) Is the house of good quality and will it maintain its value as well as prewar houses; and (2) will some of the newer materials, equipment, and components last as long as the mortgage?

There is, of course, a certain amount of risk in the purchase of anything. However, insofar as houses are concerned, it is accurate to say that, on the average, their quality today is superior to that of houses built in the 1920s and 1930s. One reason why the house today is of better quality is that we have developed new scientific knowledge which makes it possible to design and engineer the house for the needs of the people who will live in it and the forces and loads which it must resist. A good example of this is roof trusses. They cost less "in place" but are actually stronger than prewar roof framing methods.

If I were a typical buyer and concerned about the

question of quality and value, I would select a reputable builder, such as a member of the NAHB who *ipso facto* subscribes to its Code of Ethics. Then I would carefully select the neighborhood since, over a period of two or three decades, the neighborhood has as much or more to do with maintaining value than does the house itself.

Q. Mr. Johnson, you mentioned that the typical buyer is interested in the lasting quality of new products which go into a house. Would you please discuss that briefly, bearing in mind the question of maintenance? In other words, are these new products cheaper or costlier to maintain?

A. Research and development by manufacturers, materials suppliers, and our own Research Institute is going on continuously. This results in many new products. Before these new products are made available for the general market they are subjected to many tests. In addition, they must run the gamut of acceptance by Federal, state, and local housing and building regulatory authorities. A prime objective of all of this research work is to provide a product which will function better and be less costly to install and maintain.

For example, aluminum surfaces now coming into widespread use are less costly to maintain than typical painted surfaces. Also, new bricklaying methods make it economically feasible to use more masonry products which likewise are less expensive to maintain.

The Labor-Cost Problem

Q. Obviously, factory-made components compete with building labor at the site. Have you discerned any effect of the postwar trend toward factory-made components on labor featherbedding in the home building industry?

A. One of our basic objectives is to reduce the amount of on-site labor. This must be accomplished to offset the rising cost of labor and to maintain the value of the house. Component parts, rather than a lot of little pieces, contribute importantly to improving value. This does reduce on-site labor. Painting is an example. In some areas, painting can only be done with a brush whereas we know a buyer would get a better value if long-handle, wide rollers, or if spray painting could be used. To satisfy the objective and to counteract such resistance, for example, paints have been developed which can only be spray-coated or factory-applied. In many instances, however, there has been a willingness on the part of labor to go along with new developments to maintain their competitive position.

So, in short, there is some recession from featherbedding but there is still a long way to go.

Q. As you know, many bankers will not make a loan where FHA Minimum Property Standards are not adhered to even though the loan itself not be FHA insured. How does the use of the many new products which go into NAHB research houses affect financing?

A. Basically, the answer to this question is an economic one. When new products are ready for market, the manufacturer usually obtains FHA acceptance of these items for the very reason which you mention. Of course, in many cases the new product is some-

thing which does not require acceptance or approval by any regulatory bodies—some finishes, for example.

Q. Is there a trend toward larger and more costly houses and, if so, what is that going to do to the maintenance of value of smaller houses?

A. The median size of the house from the immediate postwar period up to several years ago increased from about 750 to about 1,250 square feet. Since that time this median size has remained about the same. Therefore, I would say that there is not a trend at the moment to larger houses.

What Lies Ahead

Q. Is the time far off when we shall see houses completely factory made and assembled on the site?

A. I assume you are not referring to today's prefabricated house since that does exist and has a modest share of the market. (Under 10%—Ed.) Component construction is a strong trend. Component parts are large pieces that fit with each other that are factory-made and site-assembled. The use of component parts not only for the structure but also for the mechanical elements of the house is increasing and will increase more. Factory made component parts are an impor-

tant step in the industrialization of the home building process because they can be made with controlled quality and the efficient use of machinery without regard to the weather. They allow the house to be built more rapidly and, of course, with a lower on-site labor cost and, importantly for the money lender, under conditions where costs can be more closely controlled and therefore predicted.

Bankers should be aware of the fact that there have been many changes in home building and many more are in the immediate offing. The pressure of the market and the competition among materials and among builders is directing huge research and development funds into channels that will provide more value or quality per unit of cost.

Unless bankers maintain an "open mind" about these changes they will miss out on some very good financing opportunities because these new houses will have and will maintain more value. In short, we will be building 1960 houses in 1960, not 1940 houses in 1960. For example, the new stressed-skin, foamed, polystyrene, core panels used in our South Bend research house provide not only a structure of equal or better quality at a lower price, but the banker's risk is reduced because the cost of heating and of maintenance will be significantly lower.

IV. LAYOUT AND DESIGN

For the purpose of this special section BANKING benefited from a round-table discussion with a group of architects and builders at the American Institute of Architects' headquarters in Washington. Participants included three architects representing the AIA—Edward H. Fickett of Los Angeles; Arthur H. Keyes, Jr., of Washington; and Victor A.

Lundy of Sarasota, Fla. Builders who participated and represented the National Association of Home Builders were—Edward H. Bennett, Jr., of Bethesda, Md.; William E. Witt of Virginia Beach, Va.; and Richard Canavan, a staff member of the NAHB. The moderator was Herbert Bratter, BANKING's Washington correspondent.

A shielded entrance and shadow effects set off this Palos Verdes, Calif., home designed by Edward H. Fickett, AIA



MR. BRATTER: Gentlemen, we want to explore trends in housing design that are of particular interest to lenders and home buyers. This is a good opportunity to get the views of both architects and builders. To start, let me ask what trends in design can be discerned that could guide bankers in the years just ahead?

MR. FICKETT: First, we can agree that the 1-bathroom house is now obsolete. The 2-bathroom feature is a major design element that has to be a part of every home that is built, or at least there should be a bath and one-half. Homeowners want facilities to take care of a growing family; they don't want to be forced to move because of the possibility of children.

MR. BRATTER: How about bedrooms?

MR. FICKETT: I'd say that the 2-bedroom house is practically obsolete and the 3- and 4-bedroom house is becoming more and more popular. When we speak of a 4-bedroom house, we should mention the new con-

cept of the dual use of the fourth bedroom. By that I mean it might serve as a den or television area during the day and have a studio-type sleeping arrangement for night.

Size and Resale Value

MR. BRATTER: What about a trend toward smaller rooms and lower ceilings?

MR. WITT: I think the trend is the reverse of that. It's toward larger houses which is reflected in the square footages of houses being produced. Each year it has been going up rather than down.

MR. BRATTER: Any more comments about the interior, the layout?

MR. WITT: There are two things that women usually look at first—bathroom and kitchen. The bathroom facilities have been mentioned, but it's important that they be appropriately located in relation to the bedrooms. And the kitchen facilities need special attention as far as buying a house with built-in obsolescence. Certainly one that has adequate cabinets and the built-in features that can now be put in kitchens will sell better and keep its value better than an ill-conceived kitchen.

MR. FICKETT: It should be noted here that a big change has taken place in the last 10 or 12 years. The home buyer now expects all the extras to be a part of the total sales price. He expects a built-in oven and cooking top, garbage disposal, in many communities a dishwasher, etc. He doesn't expect to pay for these the way you pay for extras on a new car; that is, added onto the base price. In the home-building industry the buyer wants the price tag to be all-inclusive.

MR. BRATTER: Many of the houses built after the war were small. From what you say, wouldn't these houses lose their value more rapidly?

MR. WITT: If everything were equal, perhaps they would. But costs have been rising to the point where houses built after the war are, in many cases, worth more than was paid for them at the time.

MR. FICKETT: There's another element, too. Most houses built after the war were built on land which has now probably tripled in valuation. As long as the land appreciation continues it will tend to offset any future decline in the value of the house itself.

Trends in Design

MR. BRATTER: Do you see any trend as to the style of architecture?

MR. FICKETT: I'd like to say there is a trend toward modern, but I think there is a definite interest in varying styles. There are people who want colonial houses and people who want ranch houses.

MR. BRATTER: Are there regional differences in the public taste?

MR. FICKETT: Very definitely!

MR. WITT: Not only regional, but also within areas. For instance, if we are building in two communities in the same state, we would probably build two different style houses. And these differences are apart from the influence of climate.

MR. FICKETT: You'll find that there are differences

in the use of specific materials, too. In some areas of Virginia it's difficult to sell a house that is not built of brick or brick veneer facing. As an architect, I feel that this might be a misuse of money. What the person really needs is more closet space or bathing facilities. To put the money into brick seems foolish but, on the other hand, you have to sell the house.

The Need to Educate

MR. BRATTER: From what you're saying, does it follow that the home buyer should decide on style from the standpoint of resale value?

MR. FICKETT: No, I think it's a matter of education of the public. We illustrated this point in Salt Lake City which is another masonry area. At a regional convention we asked how many brick manufacturers were present, and there were 15. We asked how many lumber manufacturers or mills were represented, and there was one. When the mills realize there is a potential, they can begin to sell their wares. It's a matter of educating and being smart in the design. For example, a split level house can be built of total masonry or of a masonry bottom and wood top.

MR. LUNDY: I think it is obvious that we have a real responsibility for a concerted drive to educate people in what good design is. In this country there is no restraint in the continual fight for individual attention. It will probably be a slow process before we



Can you spot regional differences in design? These homes are a continent apart. The top one, in New Canaan, Conn., was designed by Eliot Noyes, AIA. The bottom one, in Medford, Ore., was planned by George T. Rockrise, AIA



reach the point where a real sense of good design will become a part of our culture. The responsibility for this lies with the professionals to point out what good design is and to educate the American people.

MR. FICKETT: I'd like to mention another point on design and resale value. If you were to build a house in a small town among existing subdivided properties which had established design patterns, the requirements for preserving the resale value would be fairly well set. But if you were building a whole new community with the right architect, the right land plan, and the right builder, you could eliminate 70% of the regional problems of materials and design background.

Modern Materials and Design

MR. BRATTER: Many houses are designed to use modern materials and innovations and not all of those have the approval of FHA in its standards book. Would you comment on that?

MR. FICKETT: The FHA revised their requirements, but even before that I believe they allowed for new techniques, new approaches to construction. If you have a new design, prepare the drawings and send them in to be checked and you'll be told whether you have approval or disapproval.

MR. WITT: Send in the engineering data test report on new materials to your FHA office which, in turn, will send them to the Construction Division to be analyzed. If they conform to good engineering practices, the FHA is inclined to go along.

MR. BRATTER: Aren't banks often guided by FHA standards even where the loan is not FHA insured?

MR. FICKETT: Not as much as they used to be. Actually, the minimum standards in some areas used to be below the code requirements in those areas. Now I believe they're almost on a par.

MR. BRATTER: Is the FHA more flexible now?

MR. WITT: I think the FHA has become very flexi-

ble in its approach to design. The underwriters have been given a lot of latitude.

MR. FICKETT: The prime thing you can say about FHA is that it's becoming more open minded about unusual designs for modern houses. Whereas 10 years ago they wouldn't make a loan on such a house, now they will accept them as possibilities in having a good resale value.

MR. KEYES: The important point in any discussion of materials is their appropriate use. Where a definite misuse of material is apparent, the borrower shouldn't be penalized for switching to some better material to fit the purpose or the location.

MR. BRATTER: In that connection, how important is the character of the site to the design of the house?

MR. KEYES: I think it is all-important. The design of a home has to begin with the type of terrain it will go on. We start with the problem of the land. If the house is unsuited to the site, it will be money wasted. Its ultimate appearance will never equal that of a better designed home. And then you should make concessions design-wise to the environment generally. I don't mean that every other house on the street should be colonial. I think you just have to recognize the spirit of the general environment.

A Job for the Lender

MR. BRATTER: What criteria should a lender have in mind when appraising a house?

MR. BENNETT: It's hard to recite a complete list here, but I'd say: physical size, square footage and cubic feet; location; functional arrangement of space; architectural design; site planning; relationship of house to site; quality of materials and workmanship; mechanical equipment in the house; the design of the heating, lighting, and plumbing systems; the insulation; the flooring; and a whole vast list of materials and methods that go into the total construction.

The architect-builder panel with BANKING's representative. Left to right: Architects Lundy, Fickett, Keyes; Mr. Bratter; Builders Witt and Bennett; NAHB Staff Member Canavan



MR. BRATTER: That's a formidable list. Do lenders generally inquire about all those things?

MR. WITT: Some lenders do. Unhappily, too many lean on the simple formula of square footage and cubic footage. They assume that the builder knows enough to put in the modern materials. A really useful appraisal gives value to all these other factors that go into a good house.

MR. KEYES: I think we ought to explain what happens when you don't get these quality items and design features included in the loan arrangement. It means that the builder has to use his own cash, which cuts down the size of his operation. If he goes ahead with the quality items, the downpayment has to be greater and he's in an unfavorable position to bargain. The total effect is to drive down the quality of construction.

MR. BRATTER: What can bankers do to encourage better planning and design, more efficient production

methods, and the most advantageous use of modern building materials?

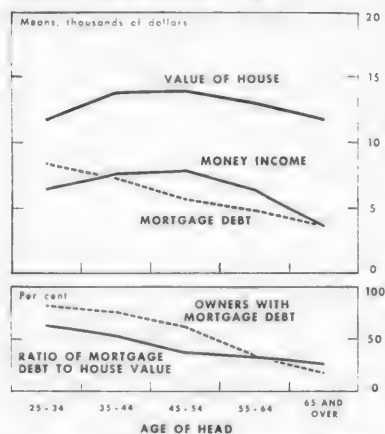
MR. BENNETT: They should take the lead through their local public relations media to urge people to employ better design and more efficient production methods—in short, to get better houses for less money. And they should raise their own lending appraisal standards.

MR. FICKETT: A good many bank appraisers and others have very little idea of how to interpret drawings and specifications and site plans that are submitted for a loan. Sometimes the loan is made on the man's history—he's had 15 successes. Sometimes it's made on the neighborhood—no bankruptcy in that section. With communities spreading as they now are, there is a place for a competent builder and a competent architect to work with lenders on a consulting basis as specialists in the field.

V. PLANNING AND FINANCING

Today's family wants to grow in its home, not grow out of it. To safeguard investor and investment, the banker must take a long-range view of the home, the site, the design, and the construction. Also, he should know the changing needs and financial outlook of the customer. As the chart shows, mortgage debt must stay in line with income and the value of the home. Here are ways to help meet that goal.

HOME OWNER CHARACTERISTICS, EARLY 1959
NONFARM FAMILIES GROUPED BY AGE



NOTE: Number of home owners in the 18-24 age group too few to show separately.

Determining the Needs

At each stage in life the housing requirements of the individual change. By anticipating these changes, a prospective homeowner can form a workable plan to meet the different circumstances as they arise. This is an area where bankers, by providing foresight based on long experience, serve the customer and safeguard the investment at the same time.

● **SINGLE PEOPLE:** Limited space and limited responsibility mark this early period when young people find an advantage in freedom and flexibility. Home ownership can be a distinct burden as they concentrate on the beginning of their business and social activities in the adult community. But it is the time to start a nest egg for the future through the development of regular saving habits.

● **NEWLYWEDS:** The transition from single life to married life usually requires no great change in housing needs. It's a time for adjustment; a time to learn what the future needs might be and to start planning and saving for them. It's a time when the banker can help by pointing out monetary goals and showing how they can be reached.

● **FIRST BABY:** Mounting expenses and the need for more space are quickly apparent to new parents. Additional space becomes important because the family is growing and because the social life is now more sharply focused in the home. Ownership is now a real concern and should be within the reach of those who looked ahead in the earlier periods.

● **GROWING FAMILY:** This is when there is the greatest demand for space. The home is not only a family center but, especially with teenage children, often serves as a neighborhood center. For the space to be adequate it must be of the right kind as well as amount to meet both individual and group needs. A house that can't be adapted to serve the growing family can be only a short-term investment for the purchaser.

● **LATER YEARS:** While space requirements expand slowly over the years, they usually contract sharply when the children move on to jobs and homes of their own. The accompanying drop in family expenses may make it easier to meet housing costs, but it can still be burdensome to pay for unused rooms. Portions of the house may be closed off or rented; or the owner may decide to sell and move. In any event, it is of mutual concern to the banker and the buyer to foresee this and anticipate the problems that can arise.

Choosing the Site

No matter where one goes to select a site, the result can range from a sad mistake to a wise choice. And the site is important whether you plan to build or are looking for a home already built. To safeguard the investment, many factors must be considered.

● **THE AREA:** Expanding transportation facilities are steadily increasing the areas for home ownership. No longer is it necessary to compromise preference for proximity to business, factory, or office. But the expansion presents problems, too. Travel costs can become a sizable budget item. Business or industrial centers may approach or even engulf residential sites. New or existing highways can become noisy and annoying adjuncts to home living.

● **THE TOWN:** Every town has distinguishing features and a character of its own. How well do you know the neighborhood being considered? Is it young and growing, old and declining, or somewhere in between? What community services does it offer and are they increasing? Remember, today's tax bill is no clear indication of what tomorrow's will be; and taxes have a bothersome habit of moving only upward. Bankers know that unexpected increases can tip the balance against the borrower making his mortgage burden too heavy to carry.

● **THE NEIGHBORHOOD:** There is as much misery in a neighborhood that's too good as in one that's too bad. Keeping up with the Joneses can be a losing battle the same as trying to stem the trend of a steadily declining section. Neighborhoods, like towns, have their distinguishing features, so be sure and know what they are and whether they fit a given situation. It won't hurt to talk with a few prospective neighbors.

● **THE PLOT:** Appearance is important but it's far from the best or only criterion. Consider the topography, soil, orientation, drainage, and suitability for building. Don't forget, it costs money to grade, excavate, fill, and add topsoil. You can't change the sun's course, so you'd better see if the exposure is desirable. Have an expert tell what the chances are for water in the cellar. How about the size; too much land can be as bad as too little. A check on these points will be added protection for the loan.

The importance of the site is easily apparent where trees and shrubs provide a natural setting as with this Rye, N. Y., residence which was designed by Ulrich Franzen, AIA



Harmony does not mean uniformity in architecture although it does require careful planning as shown in these homes in Palos Verdes, Calif., by Edward H. Fickett, AIA

Selecting a Design

Of course the buyer wants the kind of home that has lots of appeal right now, but don't forget the resale value. Try paraphrasing the old song to ask, "Will you love it in November as you do in May?" Then try the same tune for 20 years hence. The answer could be very important to both borrower and lender.

● **THE NEIGHBORHOOD:** Watch for radical departures from the architectural harmony of the neighborhood. One "eyesore" can affect the value of the houses around it. Individuality is fine until it becomes eccentricity. If the dream house is a Dutch colonial with over-sized picture windows and a Spanish tile roof nestled among some split-levels, it may be a nightmare instead of a dream.

● **THE ARCHITECTURE:** What is distinctive to one person may be just plain queer to another. Unusual ideas in design can be either an asset or a liability; often it's hard to tell which they may become. That's why traditional types are usually safer as long-term investments. But having a good idea of what the real estate trends are can give you a good basis for judging.

● **ORIENTATION AND APPEARANCE:** See if the house has been planned to meet the problems posed by exposure to sun, wind, and weather. A sunken patio may be lovely if it doesn't turn into a stagnant pool every spring. Don't be dismayed by uncut grass and straggly shrubs; worry about the problems that can't be easily corrected. A broken window may look worse than a leaky roof, but it's a lot cheaper to fix.

● **THE SIZE:** This involves imagination as well as a tape measure. The ideal house is one that can expand and contract as the needs change. Any house must meet present needs, but it should also have the potential for growing and changing. This potential is already provided in some houses: the expansion attic; the playroom that can double as a dorm; the unfinished wing. But often you'll have to seek out this potential. If you can't find it—watch out.

● **THE INTERIOR:** Know all requirements before you start to judge the house. Begin by knowing the number, size, relative location, and kinds of rooms needed. When you look at houses be sure to check such details as wall space, electrical outlets, closets,

traffic flow from all approaches, and a hundred other items. Don't be the dope whose furniture won't fit the space, whose house has no closets, whose only access to the kitchen is through a bedroom. And don't think those things can't happen.

Determining the Structure

The materials and workmanship are related to many factors such as appearance, style, maintenance, and future alterations, as well as the initial cost. The quality of the materials and the construction should be judged by an expert and should be adequate to protect both the borrower and the lender.

● **CLIMATE:** Many things motivate the home buyer—taste, convenience, pride, sentiment. Sometimes these overshadow the basic motive behind home ownership—shelter. If the house can't meet the demands of the weather, then the demands of the owner won't be met either. And if the homeowner doesn't have adequate protection, then the banker won't have adequate protection. That's why expert advice is essential.

● **MATERIALS:** Will it be frame, stone, stucco, brick, glass block, fiberglass, steel, aluminum, plastic, or porcelain? The answer is determined by such things as personal preference, availability, cost, maintenance, appearance, and local building codes. The architecture is also important; you don't use glass block for a Cape Cod cottage. All the criteria can be summed up by the one word "suitability." The conventional materials have the big advantage of general acceptance, but many of the newer materials have special advantages.

● **FLEXIBILITY:** Since family needs are flexible, there should be flexibility in the home. It's easier to unbolt a panel than to chop through concrete if a wall has to be moved. But it's better to know at the start whether the wall will need moving. If an addition will be necessary, be sure to ask: How will it affect the over-all appearance? Will it violate the building code or zoning laws? Will it add value to the house?

● **FUTURE:** All decisions should be made with one eye on the future and that eye should focus on the resale value. People change as well as the circumstances that surround them. The safest way to meet the unforeseen is to be sure that the initial investment is sound and that the depreciation wrought by time, weather, and man is limited.

Handling the Financing

The banker provides the home buyer with advice, a loan, and protection. Advice is essential because there are so many details in home financing and so many variations in the way it can be handled. A financing plan is a must because the cost is far above the level of a cash transaction for most people. And the prospective purchaser gets the double protection of knowing he's making a sound investment and of getting a loan under terms he can carry. These are the results of the bank's adherence to sound credit standards.

● **PRICE:** Too often buyers consider the price only in the preliminary stages when it wavers between "bid" and "asked" levels. When it is finally fixed, their at-

tention turns to "monthly payment" figures. Keep an eye on that final price, however, and you'll have a sound basis for comparing the costs of loans under various terms and the amount you can safely lend.

● **DOWNPAYMENT:** Nothing down and low monthly payments can always attract the unwary. Those who consider only what they can afford to spend will be drawn to the dollar sign that stands closest to the decimal. The downpayment reflects what the borrower stands to save and introduces an important second dimension in the mortgage picture. Bankers and buyers will get the true perspective when they consider the part that a downpayment can play in making the mortgage burden easier.

● **AMORTIZATION:** To judge a mortgage by the size of the monthly payment is as efficient as gauging the depth of a well by the length of the pump-handle. For example, monthly payments are identical for: \$3,200 at 4¾% for 5 years; or \$5,000 at 6% for 9 years; or \$9,600 at 5% for 22 years. The payments, of course, include both the interest costs and the repayment of the loan. Be sure the customer looks on the monthly payment as the result of his borrowing, not the reason for it. The best possible payment plan for him is also best for the banker because it will give added protection to the investment.

● **TERMS:** Everybody knows that the cost of a loan rises with the rate of interest. Too often they fail to appreciate the importance of time in a mortgage loan. They don't always realize that time has a twofold effect. Lengthen the term of a mortgage and the amount of the monthly payment drops, but the total cost goes up. Take a 10-year mortgage at 5%. Double the term to 20 years and the monthly payment drops by more than one-third; but interest costs will more than double. The small short-term savings are really large long-term losses, which a home buyer may, not be able to afford.

● **EXTRAS:** Mortgage payments are only part of the cost pattern when buying a home. Ownership includes the responsibility for property taxes, insurance, utilities, and upkeep. If one has been paying rent, most of these—sometimes all of them—were included in the payments. After buying a home, they will be in addition to the mortgage payments. Other costs in purchasing can include appraisal fees, revenue stamps, legal charges, and recording fees. And on top of all this will come moving expenses, additional furnishings, and a raft of things often overlooked such as: light bulbs, a lawn rake, window shades, an outdoor grill, a snow shovel, a plumber's helper, and so on.

● **ABILITY:** The ability to carry a mortgage is measured by the difference between income and expenses. Limit the income figure to the present regular take-home pay. Don't include overtime pay; part-time or temporary job income; unearned income like rent or dividends; anticipated income such as an inheritance; or possible future increases in salary. And don't try to shave the expense figures unless ready to accept the modified living standard that will result. Here's where regular saving habits will pay off double. Not only will they provide a nest egg toward the downpayment, but they are also the best possible evidence that a person can live within his budget. And that kind of evidence is impressive to bankers who want to safeguard the investment.

Field Warehousing:

An Expanding Area for Financing

DOMINICK JOSEPH MASTELLON

MR. MASTELLON is vice-president of The County Trust Company, White Plains, N. Y.

CREEPING inflation has become a household phrase in this 20th Century. Every housewife is familiar with its effects, if not its causes, and every day in many ways businessmen are feeling its inroads on available working capital. In addition, mounting income tax payments are making it difficult for many companies to build up operating capital to the proportions needed to promote and finance a growing business in our expanding economy.

To meet the working capital needs of companies which are confronted with these problems, lending institutions make instalment loans secured by chattel mortgages on machinery and equipment, and finance merchandise on a trust receipt basis in certain limited and specific instances where the item financed does not lose its identity. In other cases it has been found that accounts receivable financing meets the needs of our customers, but there are many who need financial assistance before the sale of merchandise is effected, and who are holding substantial inventories.

The solution utilized most frequently in these latter instances is loans secured by field warehouse receipts. This is a specialized warehousing function in which merchandise is stored on the owner's premises under the custodianship of a bona fide warehouseman—a disinterested third party—who issues negotiable and non-negotiable warehouse receipts.

Effective Bailment

The key to the establishment of a field warehouse is definitely the creation of an effective bailment. Such a state exists only when the warehouse company has continuous, exclusive, and notorious possession of the merchandise under its control. This means that once such a warehouse is established, the warehouse

company or its authorized representative must have absolute and continuous control over the merchandise in its custody at all times. No one is permitted to have access to the merchandise except under their supervision.

The Warehouse Lease

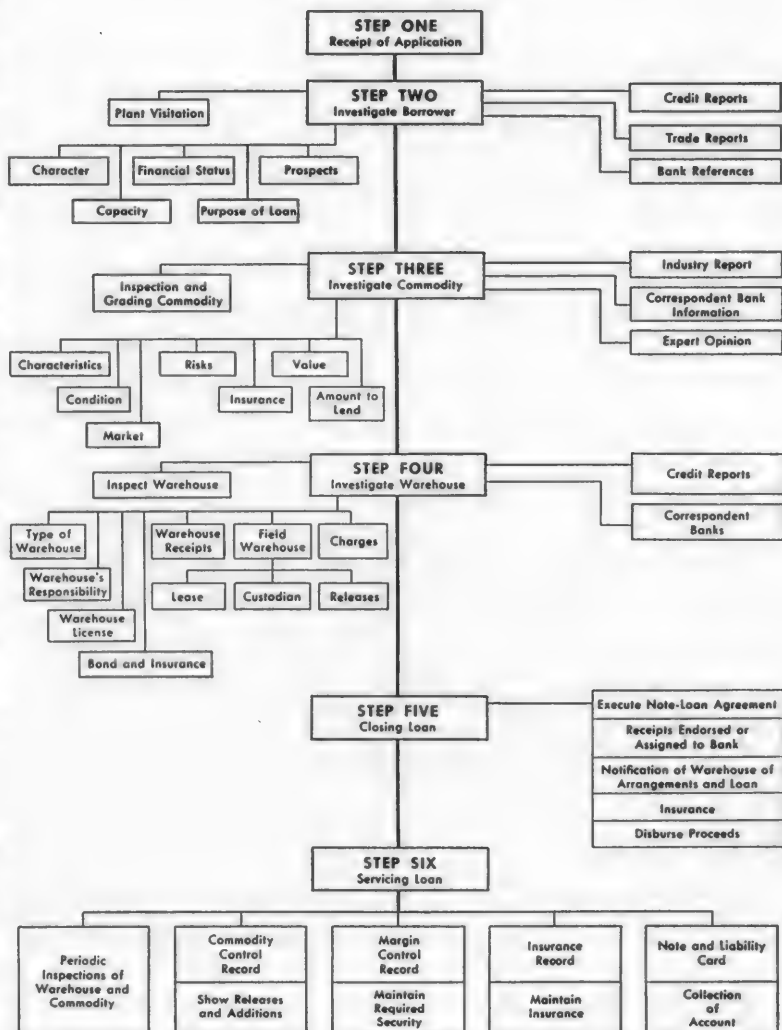
A representative of the field warehouse company will examine the premises of the borrower and find a suitable location where the field

warehouse can be established. The location, when chosen, should be such that it will not interfere with the normal operations of the customer and can be partitioned off; or is an enclosed area with ingress or egress through a door which can be locked.

Once a mutually satisfactory location is found and agreed upon, the representative of the warehouse company draws up an agreement

(CONTINUED ON PAGE 66)

PROCEDURE CHART



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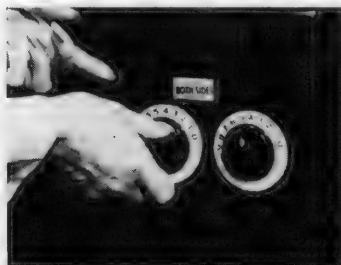
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Field Warehousing

(CONTINUED FROM PAGE 63)

whereby the borrower leases to the warehouse company the space needed for the field warehouse. Simultaneously with the signing of the lease, the borrower (hereafter called the depositor) is asked to sign a storage agreement with the field warehouse company.

Signs Are Essential

When the lease and storage agreements have been executed, preparing the space for the warehoused merchandise is next on the list. The warehouse company representative securely encloses the leased area; places his own locks on the premises and delivers the keys to his bonded custodian.

Next, the warehouse company conspicuously posts notices both within and outside the leased area, particularly at places of entrance and exit, stating that the warehouse company is the lessee of the premises and in possession of all goods stored therein. Within the leased area and to the extent required by law, warehouse licenses, workmen's compensation notices, wage-hour notices, unemployment and disability insurance notices are posted, all bearing the warehouse company's name, as well as a blueprint of the leased space on which reference to the formal lease is made.

The Banker's Role

In passing upon the relative merits of an unsecured loan, the bank lending officer bases his decision primarily on the three Cs of credit; namely, Character, Capital, and Capacity. Field warehousing has brought a fourth C into banking—the Commodity to be warehoused. Many loan officers take pride in knowing and being able to discuss the Uniform Warehouse Receipts Act, are familiar with all the forms that have to be completed, and know how to select the best warehouse company.

Yet, how many of us can say that we have set up in our own shop an efficient system to administer these loans; to guarantee our realizing sufficient money on our collateral to liquidate the loan on our books, should this ever become necessary. What are the fundamental steps that the banker should follow in de-

ciding upon the relative merits of each situation?

Is the Receipt Valid?

The Uniform Warehouse Receipts Act specifically defines the warehouse company as an entity or individual lawfully engaged in the business of storing goods for a profit. To have assurance that the warehouse receipt which you contemplate lending against is valid and enforceable against all third party claims, one should first be certain that: "The corporation or individual issuing such receipt is a clearly disinterested person or corporation, regularly and lawfully engaged in the business of storing goods for a profit, as are all the major field warehouse companies."

The Uniform Warehouse Receipts Act also states emphatically that a warehouse receipt can be issued only by a bona fide warehouseman and specifically defines the latter, as quoted above. Be certain that warehouse receipts offered your bank as collateral to bank loans meet this qualification.

Be especially careful to avoid acceptance of subsidiary warehouse receipts. They spell trouble and may possibly result in the lender becoming a general creditor and suffering a loss on a loan that otherwise might have paid out in full.

Know the Fourth "C"

Subsidiary warehousing, in its broadest sense, is of two types. The first is where the borrower organizes a "dummy warehouse corporation" under his control, to enable his company to borrow money. The second is where the borrower takes out a Federal or state "bond," and then refers to himself as a "licensed" or "bonded" warehouseman.

In the first situation, the borrower goes through all the steps necessary to set up a separate entity, but actually it is only a gesture of creating independent control of the goods. The capital of the new corporation, as well as its management, is provided by the borrower and the entire situation, upon careful investigation, will prove itself to be an artifice or a ruse.

In the second instance, where the borrower is patently not a valid warehouseman as defined by the act, a license or bond does not make him one, and it is obvious that the re-

quest for credit against such warehouse receipts should be declined immediately. In both instances, we have a situation where the borrower of money is also the custodian of the so-called "pledge" merchandise.

There is no set pattern established insofar as the type of commodity that can be used as collateral for a loan. However, it is important that regardless of what the commodity is against which you are lending, you should know the market, where the product is made, who uses it, how much, and to whom a quantity could be sold at one time without influencing the selling price adversely.

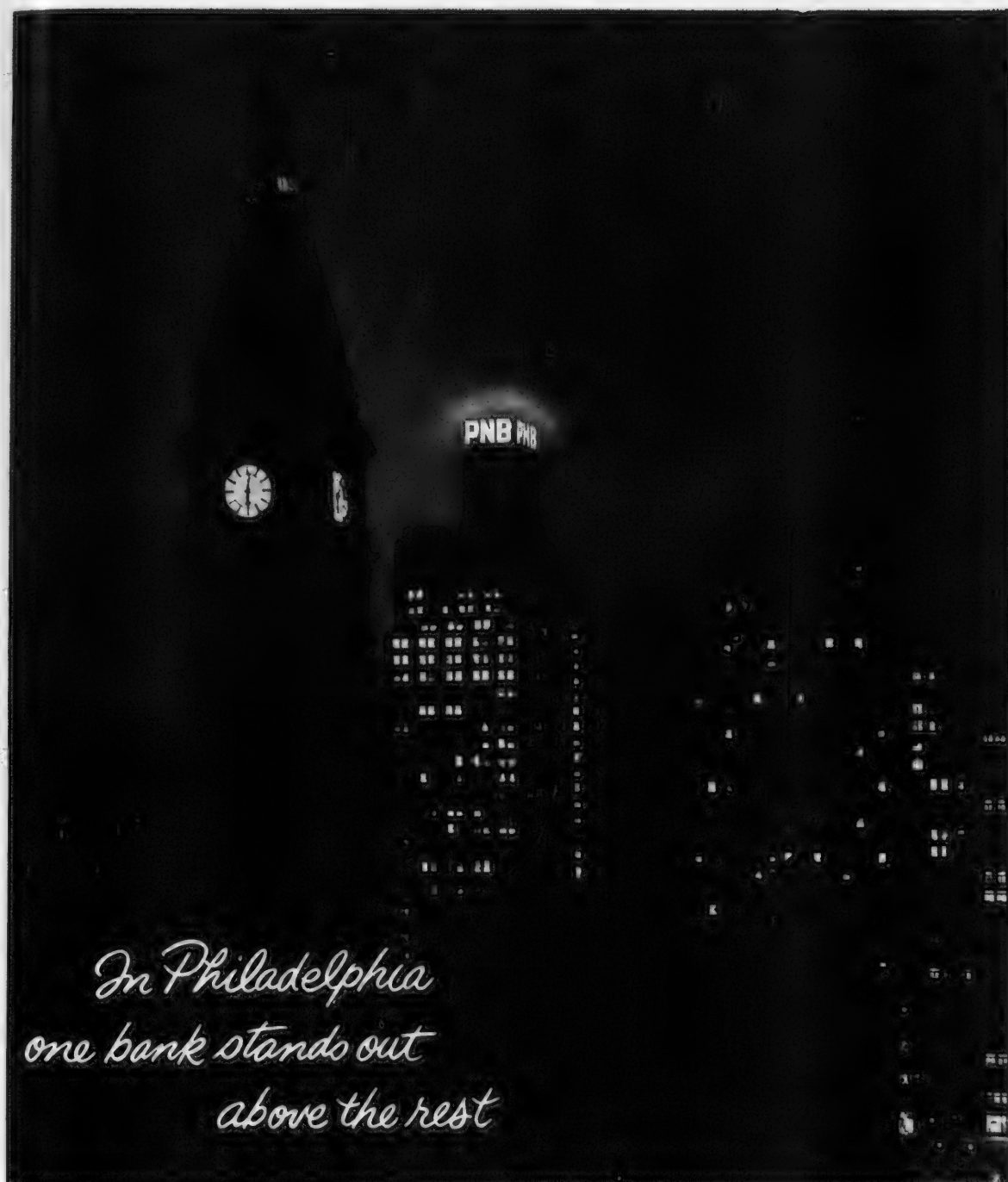
The Need for an Audit

Field warehouse companies periodically, but unannounced, send their own warehouse examiners out to check on the various warehouses being operated by their custodians. Naturally, this is for their own protection as they are interested in ascertaining that the operation is being conducted properly and that there is continuous, notorious, and exclusive possession by their custodian. It certainly appears prudent to have an auditor from the bank make a surprise visit to the warehouse from time to time to check on the inventory therein as compared with that shown on the receipts.

From what has been said in this brief summary of how to administer an inventory loan secured by warehouse receipts, it might be inferred that the procedure is a complicated one. Actually, it is not.

It is the practice in many banks which have been making this kind of loan successfully, to designate one senior officer as the "commodity loan" expert. This officer familiarizes himself with the several matters discussed here, and is thus in a good position to advise his associates on the soundness of a particular commodity loan, as well as the validity of the warehouse receipts offered as collateral.

Through the last five decades, bankers have acquired an increasing confidence in field warehousing that is justified by the industry's record. Thus today, making loans secured by field warehouse receipts provides an investment for bank funds which is both safe and profitable—provided the lender knows where his own task begins in properly administering the transaction.



*In Philadelphia
one bank stands out
above the rest*

THE PHILADELPHIA NATIONAL BANK

Organized 1803

PHILADELPHIA 1, PA. Main Office • Broad & Chestnut Streets

Member Federal Deposit Insurance Corporation

OFFICES IN
PHILADELPHIA,
BUCKS, DELAWARE
AND MONTGOMERY
COUNTIES

Who has the latest word on how to build savings deposits?



There are more than
85,000,000 time and savings
depositors in the U. S. today.
Their deposits represent some
\$100-billion, of which over
\$65-billion are in commercial
banks, and more than \$34-billion
are in mutual savings banks.

You
do...

... thanks to the A. B. A.'s Savings and Mortgage Division and its broad program of research to discover more effective ways of building savings deposits and trimming operating costs for member banks.

Savings ranks first on the list of services offered by banks throughout the country. For this reason, the Division's Committee on Savings Promotion and Development is continually looking for new methods of attracting more savings business and stimulating deposit activity in present accounts.

In addition to the Division's several committees which have already made available a great deal of useful information, two new committees will soon be working on your behalf. They are the Committee on Savings Research and the Committee on Non-Mortgage Investment of Savings Funds. Watch for word of their findings in the year ahead. Also on the way is a Manual on simplified cost analysis procedure for savings and mortgage operations.

You can expect fresh insights into the various aspects of bank savings management, operations and promotion from the Savings and Mortgage Division's Annual Conference, to be held in March 1960.

For authoritative information on new material developed by the A. B. A.'s Savings and Mortgage Division, keep your eye on each and every issue of **BANKING**.

Largest paid circulation of any publication in the banking field.

BANKING

Journal of the American Bankers Association

This is one of a series highlighting a few of the many activities of the American Bankers Association.

HOW WILL YOUR COUNTERS BE DESIGNED?



CURVED?



ANGULAR?



STRAIGHT?

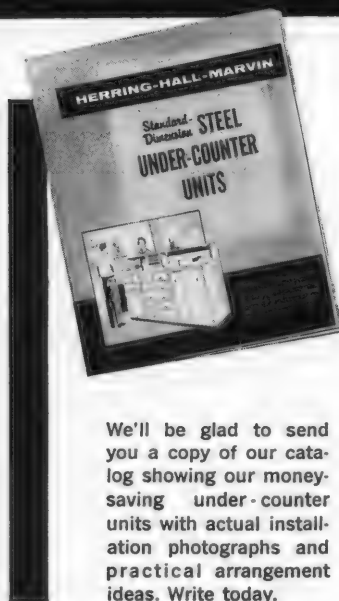


H · H · M
STANDARD DIMENSION
UNDER-COUNTER UNITS
WILL FIT THEM . . .
AND SAVE YOU MONEY

The photo above shows a noteworthy example of how Herring-Hall-Marvin creates custom-designed under-counter arrangements at production-line prices.

In this efficient installation each teller has everything at his fingertips. Note the handy knee-space apron sections with adjustable dividers; the key-locked cash and storage drawers, the big combination-locked silver compartment, the Swing-Away seat for the teller's personal comfort and convenience.

Let us show you how we can cut new counter costs for you. Consider, too, the advantage of being able to add to, or rearrange, with minimum expense, these self-contained units to meet changing needs.



We'll be glad to send you a copy of our catalog showing our money-saving under-counter units with actual installation photographs and practical arrangement ideas. Write today.

HERRING-HALL-MARVIN SAFE CO.
COUNTER DIVISION • HAMILTON, OHIO

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Business Building Bulletin

NOVEMBER 1959

IDEAS AT WORK

The Ideas section of the Business Building Bulletin is by JOHN L. COOLEY.

Bank's "Courtesy Car" Is Popular Service

How's this for an idea? The First National Bank of Wisconsin Rapids, Wis., has a new service: a 10-passenger "courtesy car" available to local charitable or civic groups to get folks from here to there and back.

Acquired primarily to meet the transportation problem confronting the South Wood County Boy Scout Drum and Bugle Corps, the bank's auto is offered on a first come, first served basis to organizations and to individuals who will use it for

Local organizations have booked it way ahead

"worthy purposes of public benefit." The borrower provides the driver.

"Public response," says D. A. Blanke, assistant to the president, "has been very gratifying." In its first three weeks the car traveled more than 2,000 miles, and has transported not only the Scouts but



the Women of the Moose to a district conference. Reservations have been made by the Senior Citizens Club, the American Legion Auxiliary Drill Team, Girl Scouts, Women's Relief Corps, Letter Carriers Association, American Legion Auxiliary, Lions Club, and the Episcopal Young Peoples Organization.

The bank carries liability and collision insurance, provides regular maintenance and storage, and merely requests that the car be returned with a full gas tank.

"Full-Service" Banking Stressed in New Ads

THE national advertising campaign of the Foundation for Commercial Banks has a new program that includes use of the term "full-service" to describe commercial banks as the institutions which will fill all a family's financial needs.

The campaign also introduces a "full-service" emblem, the slogan "Better living begins at your full-service bank," and a chart listing the basic services available at banks.

"The advertising advisory group of bankers, the trustees, and the



Georgia Railroad and Banking Company, Augusta, recently redeemed at \$50 face value this note issued Dec. 1, 1855, thus following its policy of "redeeming every bank note ever issued by this company since it was chartered in 1833." GRBC is corporate affiliate of Georgia Railroad Bank & Trust Company. Sherman Drawdy, president of both, in a letter accompanying the check mailed to Mrs. Arch Robbins of Maryville, Tenn., noted: "Our company continues to redeem all the currency issued by it . . . for its face value." Two smaller notes tendered by an owner in St. Louis were thus honored in 1953, 100 years after issuance

Dogs Have Their Day . . . in a Bank

DOG days are over for another year, but it makes a good story, anyway, regardless of the season.

The Fort Worth Dog Training Club borrowed \$6,000 from a bank to finance a new school house for an exclusive canine college.

Something more than three years later—one day last summer, to be exact—Tia, a 3-year-old German shepherd, and 12 of her fellow students trotted into the loan and discount department of The Fort Worth National Bank. Tia reared up at the window of Teller David McClelland and offered the check for the balance due.

Sure, newspaper and television photographers were there to record the event for posterity.

The dog has his day



many others consulted on the new campaign were strong in the feeling that it represents a major advance in our national advertising efforts," said Morris R. Brownell, Jr., chairman of the foundation. "All have been most enthusiastic about the opportunities the new campaign offers individual banks to help themselves and the commercial banking business by adopting the term 'full-service' and using the emblem in their advertising and promotional material. Much of the confusion in the public's mind has resulted from the misleading connotation of the word 'commercial.'"

A double spread in the October 26 issue of *Life* opened the cam-

paign. Eight attractive attention-getting illustrations covered major bank services.

Bank Offers Economic News Letter

THE Fairfield County Trust Company, Stamford, Conn., is publishing a bi-monthly periodical, *Fairfield County Economy*.

The purpose, reports William E. Moore, director of public relations, is fourfold: To attract attention to the county as a location for business and industry; to make contact with interested industrial firms and businessmen and to develop that interest directly wherever possible; to make

the trust company the source of timely information on the county's growth; and to communicate regularly with stockholders and leaders who can help the bank develop its business.

Vol. 1, No. 1 reported on the area's recovery from the recession, offering figures and comment on employment, population growth, building, retail sales. The last page contained a business activity chart and comparative statistics.

Newspaper, Billboard Ads Win Awards

A NEWSPAPER campaign featuring testimonials by customers won first place in national competition for Zions National Bank of Salt Lake City. The bank's outdoor advertising also won first honors in the contest sponsored by the Trans-America Agency Network.

The newspaper ads feature photos of customers who speak enthusiastically about the bank's services.

Helping Customers to Borrow Wisely

IN the belief that the public should be reminded of a basic economic fact, Mercantile Trust Company of St. Louis published a full-page newspaper ad headed "There is no such thing as 'Easy Credit.'" Here is the text of the message, which the bank offered "in the public interest":

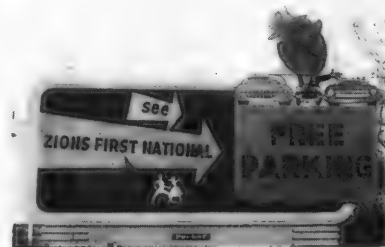
"Many times, borrowing money is a good idea. But sometimes it isn't.

"That's why—even though lending money is our business—helping you to borrow wisely is a most important part of our job.

"Credit, we believe, should not be used carelessly, because credit—whatever its form—never really pays for anything. It merely defers payment and usually must be repaid by work and sacrifice.

"Of course, you often can borrow wisely. You may need credit to carry on your business, or buy a home, or make a major purchase that offers a needed service or convenience. But, in general, don't borrow unless there is an important need.

"One of the greatest services we provide our customers is careful, conscientious counsel on loans. Helping customers to borrow wisely is part of this bank's obligation to its community."



An outdoor ad

Everyone is identified by name and occupation. The pictures of those appearing are reproduced and framed, each signed with a "Thank you" by W. LaMar Webb, the bank's president, and given personally to the customer.

The billboard ads are changed monthly. Three-fifths of each board is painted with the bank slogan; the other two-fifths is covered with a giant cutout relating to a specific service.

President Walter R. Williams, Jr., of Union Dime Savings Bank, at the welcoming panel on the "Your Money at Work" exhibit



Window, Lobby Displays Show Local Products

EXAMPLES of products made in Fort Worth are being shown in a series of window displays at the Bank of Commerce in that city. The first item was a locally developed electronic temperature indicator used in launching missiles.

First National Bank of Arlington, Va., reports "very gratifying" results from lobby exhibits promoting the business of commercial depositors. The displays are changed every two weeks. Each depositor gets a photo of its display and a note from the bank saying, "Thanks."

Exhibits Show How Money Keeps Busy

A DISPLAY showing depositors how their money is invested attracted attention at Union Dime Savings Bank, New York. The "Your Money at Work" exhibit included photos of industrial plants, turnpikes, homes, and schools in which the bank has employed funds.

Utilities, railroads, trade associations, the World Bank, and the New York Stock Exchange furnished films for a show, given twice daily in the bank's basement exhibition rooms.

Woman Manager Is Featured in Promotion

WHEN Western Pennsylvania National Bank opened an office in the Great Valley Shopping Center, McKeesport, it promoted the event with an 8-page tabloid paper featuring Katherine Zell, manager of the branch.

Miss Zell, "Great Valley's first lady of finance," was presented by profession, personality, community interest, and business ability as "the epitome of the new dimension in banking."

On the last page merchants of

"Right Way, Wrong Way" Film Improves Customer Relations

EARLY in 1958 when Manufacturers Trust Company, New York City, completed the production of a film, "The Inside Story," for the purpose of educating its public contact employees (including officers) to improve their relations with customers, the bank's management was naturally hopeful and confident the film would do the job. However, it was a venture into a previously untested field for this bank, and no one could forecast the results.

Now, a year and a half later, some surprises can be reported. While an improvement in relations with customers is so intangible that it defies complete statistical measurement, the bank was able, through one set of records kept on a consistent basis, to prove that showing of the film to the staff did a great deal of good.

These records demonstrate a reduction of 32% in the number of customer complaints about the bank's services which reached the management level during the 12 months beginning with the film's first showing, as compared with the preceding 12 months.

OF course, minor complaints often go no further than the teller or other employee immediately involved and therefore never get into the records. Also, some dissatisfied customers don't express their complaints; they often just move their accounts without explanation. Nevertheless it is regarded as significant that complaints serious enough to require official attention

did fall off approximately one-third in the film's first year, during which 10 monthly training and explanation meetings were held in each branch.

Manufacturers' regional supervising vice-presidents reported numerous instances of favorable comments from customers about the courteous, friendly attitude of the contact personnel after the picture had been shown, whereas previously such comments had been rare.

BUT the big surprise was the interest expressed by Manufacturers' correspondent banks. A total of 464 banks and banking groups—452 in the United States and 14 in foreign countries—borrowed the picture, of which 38 prints were available. At one time the demand was so large that applicants had to wait three months or more. Nearly all the borrowers wrote complimentary letters.

"The Inside Story" was designed to show the right way as compared with the wrong way for bank employees to handle ordinary relationships, including misunderstandings, with customers. It was shown to approximately 3,000 officers and employees of Manufacturers in the spring of 1958, with a refresher showing again in February and March 1959. New employees saw it as part of the orientation.

[BANKING had a story on the film in its February 1959 issue: "Right Way, Wrong Way Customer Relations."]

This Bank Hails and Farewells Its Customers

AT the Preston State Bank in Dallas, Tex., the customers are not only greeted in the morning but thanked in the afternoon—via the public address system.

The idea originated with Paul Rowe, staff member and former radio announcer. Using the PA equipment which also provides background music during the day, he extends a warm "Good morning" at opening time and a "Thank you, come again" each afternoon when the day's business is over.

Each announcement includes a short quotation or adage, like this: "As we commence another busy day at Preston State Bank, here is a quiet thought to reflect upon: A good memory test is to try to remember the things you worried about last week. We are now open for business. Please come in."

"And," says Vice-president Cleland N. Hughes, Jr., who sent us the item, "they do—with a smile!"



Central-Penn National Bank of Philadelphia had a Books Abroad program, and here's the result—volumes contributed by officers and employees, and destined for Latin America. The collectors pictured are Ann Di Biase and Barbara Focht

the center saluted the opening of the office with "a spectacular Celebration Sale." Special "bankers bargains" were offered to the clippers of the printed coupons.

New Buildings Can Build Business

A SUCCESSFUL open house gets new business. But it requires a careful written plan, with full responsibility assigned to one person or committee and detailed duties outlined for the staff, says Eleanor Thornton, assistant vice-president, The Citizens & Southern National Bank, Atlanta.

Miss Thornton reported to the National Association of Bank

Women's convention on several of her bank's branch openings. A theme is essential, she said, varying with the location, type of community, and the immediate competition.

At the Washington's Birthday opening of a colonial style building, C & S arranged a "Spirit of '76" program; costumed drummer boy, fifer, and flag bearer marched through the town. A branch in a cultural and religious environment was introduced by a tea and the office was dedicated by a minister.

The newest office, in a residential neighborhood, is modern, and the Hawaiian motif was used. Ten thousand postcard invitations furnished by an airline were mailed to resi-

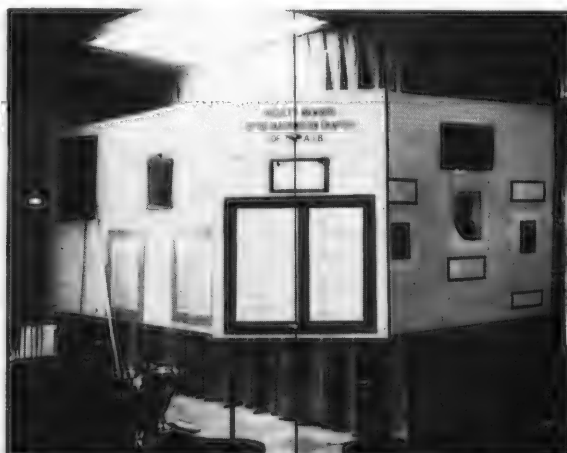
dents from Hawaii. Businessmen were invited by personal letter to a special preview. Three days before the opening officers and staff people made 9,000 calls inviting folks to the bank. Eight weeks after the opening, deposits had passed \$750,000.

Savings Bond Buyers Get Bank's Gift

AT The Franklin National Bank of Long Island, N. Y., buyers of a



Three officers of Tulsa Chapter, American Institute of Banking, put the finishing touches on a display in the lobby of the First National Bank and Trust Company. The exhibit was designed to give bank employees and customers more information about the A.I.B.'s program. L. to r., Robert E. Clark, First National, chapter treasurer; Jack Kirkbride, Brookside State Bank, first vice-president; and Mary Butler, Fourth National, president



Washington Chapter, A.I.B., has a promotional display at several metropolitan banks. One unit features Institute history, two outline the teaching program, and others feature the awards given by banking organizations for scholastic achievement in A.I.B. courses. There are pictures of Ralph H. Mittendorf, Washington Chapter's first national president of the Institute; William C. Yowell, Jr., the chapter president, and Donald E. Doyle, vice-president

This "Everybody Sells" Program Works Without Premiums

ALTHOUGH, traditionally, dignity in banking has been overdone, "correction does not lie in behavior that lessens public respect and esteem," said William H. Neal, senior vice-president, Wachovia Bank and Trust Company, Winston-Salem, N. C., in a talk at the NABAC convention in Boston.

Discussing the merchandising of bank services, Mr. Neal, member of the A.B.A. Public Relations Council, said he was convinced that selling methods must not only attract new business, but "build public confidence and respect for our banks." He expressed concern about "the current rash of high pressure, razzle-dazzle, give-away new-account promotions banks are using to get new business."

"Open a new account for \$10 and get a prize—a camera, a radio, a salad bowl, or a potted plant," the ads scream in their bold headlines," he continued. "I would prefer the public's corporate image of my bank to be that of a sound, useful financial institution, not a potted plant.

The deceptive thing about such promotion is that it does bring in some new business for a time, but experience proves that you can't build a long-range, continuing, and successful business development on such methods. They are not new. I saw the same methods used by banks in the Twenties, and they were soon abandoned.

Everybody's Job

"In our bank we feel that the answer is to make the job of selling a definite and continuing part of each contact employee's job responsibility. We must have good planning and good training. It is not something that can be done quickly, but with good cooperation between the business development department and the personnel department, and with management and supervisory support, it will succeed."

At Wachovia the responsibility for business development is built into every officer job in every department; last year the banking department officers alone made more than

25,000 calls or sales interviews outside the bank. This has been going on for a quarter century and has brought "a tremendous amount of business."

Last year, Mr. Neal reported, Wachovia's public contact employees reported more than 55,000 solicitations, and made over 17,000 actual sales of new checking and savings accounts, safe deposit boxes, installment loans, and other services. "They were not pressured into selling by promises of a free trip to the moon or a new TV set. They have been taught to regard selling as a part of their jobs. They do get recognition and their sales records are part of their personnel records.

No "What'll We Do Next?" Problem

"This sales program goes on from year to year. We do not have to worry about what to do next. We expand and improve the plan from time to time, but experience proves it is something we can live with from now on."

United States Savings Bond in any of the offices get a medallion of Benjamin Franklin, suitable for wall or desk decoration.

In launching the campaign Chairman Arthur T. Roth referred to President Eisenhower's statement that "there is no better way of saving, no more effective way of strengthening our power for peace, than to own United States Savings Bonds." The promotion was timed to dramatize the higher interest rate.

Dallas Bank Publishes Monthly Trust Letter

THE trust department of the First National Bank in Dallas is publishing "Trust Letter," a monthly 4-page folder citing higher Texas court rulings in cases of general interest in estate, trust, and tax disputes. It also provides opinions on the rulings.

The letter deals entirely with these matters as they have been handled in the Texas courts, and thus provides specialized information for attorneys, accountants, life underwriters, and individuals. The

letter urges that when legal advice is required, the services of a lawyer be sought.

Briefly

FOR LAWYERS. As a service to attorneys, First National Bank and Trust Company of Tulsa publishes a yearbook of the graduating class of University of Tulsa Law School. It includes pictures, biographies, and work experience of each member.

HOUSE-WARMING. State Bank of Clearing, 46 years old, recently opened "Chicago's most modern banking building," facing Midway Airport. It features drive-up windows and a 90-car parking lot. A house-warming and ribbon-cutting program marked the opening.

NO. 125. The South Carolina National Bank, celebrating its 125th anniversary, published a brochure tracing its history from The Bank of Charleston, organized in 1834.

William B. Black, Jr., vice-president, Bank of the Southwest, Houston, displays the fifth award won by the bank this year for advertising excellence. It's for outdoor design and was given by the Houston Art Directors Association. Other awards shown are for poster design and *Financial World's* 1958 annual report



A Bank Teaches Teachers

Its Money Management Course Will Reach Other Groups, Too

A PUBLIC service project for stimulating thrift, saving, and budgeting has been developed by the National Bank of Commerce of San Antonio, Tex.

It's a program on money management, and it was prepared at the invitation of the Texas Education Agency (Department of Education) for a state conference of teachers of homemaking during their meeting in San Antonio. The practical educational package consists of meetings, talks, visual aid material, and instructive pamphlets. The results "quite astounded" the bank, which plans to offer the program to local civic and service clubs, PTA groups and other organizations.

The purpose of the 3-day sessions, says Charles W. Kenworthy, director of public relations for the National Bank of Commerce, was to:

(1) Impress the teachers with the seriousness of the money management problems in many American homes and how it is affecting the attentiveness and attitude of many of their pupils.

(2) Suggest a few different approaches to the teaching of money management in a thorough treatment directed at students, parents, and the teachers themselves.

(3) Utilize visual aids in the presentation which would help the bank communicate its message and at the same time acquaint the teachers with tools they can use in the classroom to convey the message effectively.

(4) Display the texts, pamphlets, booklets, and other materials that are available to young people and their elders.

The Package

The package included a principal address by the bank's vice-president, Leland S. Austin, chief architect of the program, and group-interest sessions at which various phases of the general subject were discussed. Mr. Austin and Mr. Kenworthy spoke at these.

The former's opening talk was titled "Our Greatest Resource, the

Family; Our Greatest Heritage, Thrift." He highlighted the drastic effect of money mismanagement on the American family and called for renewed emphasis on the teaching of thrift, budgeting, and other subjects that will help students acquire an honest set of values and firmer self-control in handling their incomes.

Underlying the address was the implication, subtly projected, that teachers of budgeting and thrift could tackle their task with greater confidence if their own money management houses were in order.

After the first meeting each teacher received a money management kit of educational material: suggested speeches, pamphlets, money management problems reported by teachers in a special statewide survey, personal asset forms, do's and don'ts for credit, suggested readings for teachers and students, the A.B.A.'s *Personal Money Management*, and other items.

The jacket of the kit was labeled "Money: Management or Mismanagement—Mastery or Misery—Magic or Muddle."

The group sessions were limited to six teachers. At each one, several

visual aids were used — books, pamphlets, flannel board—and two films, A.B.A.'s "A Man to Know" and the U. S. Chamber of Commerce's "It's Everybody's Business," were shown.

Advance Questionnaire

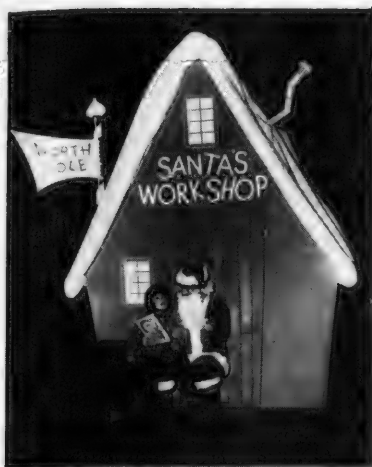
In advance of the conference the bank sent to the state's teachers a questionnaire on teaching money management. The answers, Mr. Kenworthy reports, "did much toward setting the course and creating subjects for discussion at the group-interest sessions."

"Aside from Mr. Austin's talks," he says, "our principal contribution to the cause was merely as an agent for pointing out valuable materials on the subject and demonstrating the many advantages of using visual aids for impact. The teachers' contribution to us was a full appreciation of the apparent crying need for comprehensive schooling—both entertaining and informative—in good old basic virtues like thrift, savings, budgeting."

Teachers praised the program. Here's a typical comment: "You have given us so much valuable information!"



Vice-president Austin uses a flannel board to dramatize his talk to one of the group-interest sessions at the money management conference for teachers of homemaking



Santa Claus set up a workshop in the main office of The Dime Savings Bank of Brooklyn, N. Y., and greeted his young visitors right up to Christmas Eve

It's Almost Here!

Yes, Christmas will be along before you know it. On this page are some reminders of how banks celebrate. The ideas were used last year, but they're the kind that don't wear out, so maybe they'll be helpful in case your bank hasn't decided "What'll we do for Christmas?"



This award-winning outdoor display of a Tacoma bank is composed of eight plywood caroler cutouts. Costumes are circa 1885 when the bank was founded

ONE unusual Christmas 1958 observance reported to BANKING came from the Roberts County National Bank, Sisseton, S. D., which sent each checking account customer a \$1 gift certificate with a request that it be deposited "in the collection plate of the church of your own choice." The bank, of course, redeemed the certificates.

Shortly before Christmas, Dean C. Wolfe and Associates, Incorporated, Boston financial advertising agency, distributed Christmas corsages to nearly 2,000 people working in the

office building. Each was tagged "Season's Greetings from your neighbors on the 7th floor."

Two banks participated in a Christmas season contest sponsored by merchants in a Wisconsin town. Bank of Oconomowoc and Oconomowoc National Bank joined the dealers in contributing to a \$1,000 fund for 22 prizes awarded for the best answers to the question "Oconomowoc is the best place to shop because . . ."

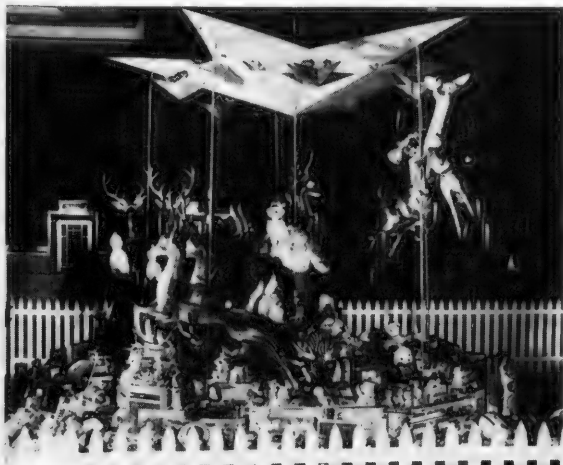
Thousands of youngsters living in the area served by the New Jersey

Bank and Trust Company, Passaic County, were thrilled to get letters from St. Nick postmarked Santa Claus, Ind. Each was labeled "A personal letter from Santa Claus by secret arrangement with the New Jersey Bank and Trust Company."

Christmas choral concerts, carols played on banks' chimes, children's gifts contributed by bank staffs, special lobby music, and a vast variety of holiday decorations were among the countless other contributions made by banks to the season of goodwill.

A Christmas carousel in the lobby of the Dollar Savings Bank in uptown New York was laden with 1,000 toys and games contributed by the bank's employees in their annual holiday gift plan. The beneficiaries were children in institutions, to whom the presents were distributed just before Christmas

Mercantile Trust Company, St. Louis, staged a Christmas spectacular televised by the local CBS station from the lobby after banking hours. The scenes depicted Christmas celebrations of the past, including the early French days, below. Participants included a chorus, orchestra, and cast of more than 50



ADS and AIDS that sell SERVICES

New A.B.A. SCHOOL SAVINGS Posters

Colors: Yellow & black.

You might find gold...



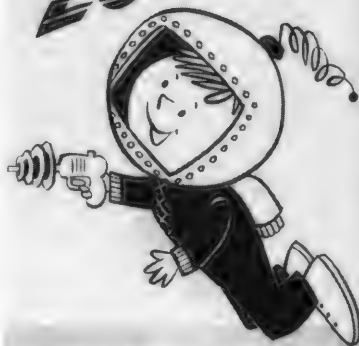
But you CAN be THRIFTY!

It's steady saving that
makes dreams come true!

Illustrated are three brand-new savings posters for classroom use, prepared by your A.B.A. Advertising Department in cooperation with the A.B.A. School Savings Banking Committee. Shown here in reduced size and in black-and-white, each poster actually measures 12" x 17" and is printed in two harmonizing colors, on extra-strong paper. Why not distribute these attractive posters in your local schools?

Colors: Red & black.

ZOOM



**REACH FAR-AWAY GOALS FASTER—
MAKE A DEPOSIT EVERY BANK DAY!**

*Actual size
of posters
is 12" x 17"*

Big PLANS "hatch"



**for
those
who
SAVE STEADILY!**

Don't miss a single
Bank-Day deposit!

*Each poster
is printed in
two colors*

Colors: Yellow & green.

To reserve School Savings Posters, Set #2-SP, for your bank's use, just write the A.B.A. Advertising Department for order form giving price list.



BANK OF AMERICA

Best way
to identify
a business... **Plexiglas**

Bank of America uses various types of PLEXIGLAS signs to identify branch offices. Shown above is an internally-lighted, completely luminous, rooftop sign. Marquee letters with backlit PLEXIGLAS faces are shown below.

Signs made of PLEXIGLAS® acrylic plastic can be designed to combine powerful identification with pleasing, dignified appearance. That is why PLEXIGLAS signs are being used so widely for the identification of buildings—from business offices to industrial plants.

As a sign material, PLEXIGLAS provides a wide choice of colors, outdoor stability, resistance to breakage,

and low maintenance costs. PLEXIGLAS signs are noted for their excellent appearance, both in daytime and at night, when internal lighting gives them complete luminosity. We will be glad to send you the names of sign companies who can help you put your name on a building in the best way—by signing it in PLEXIGLAS.

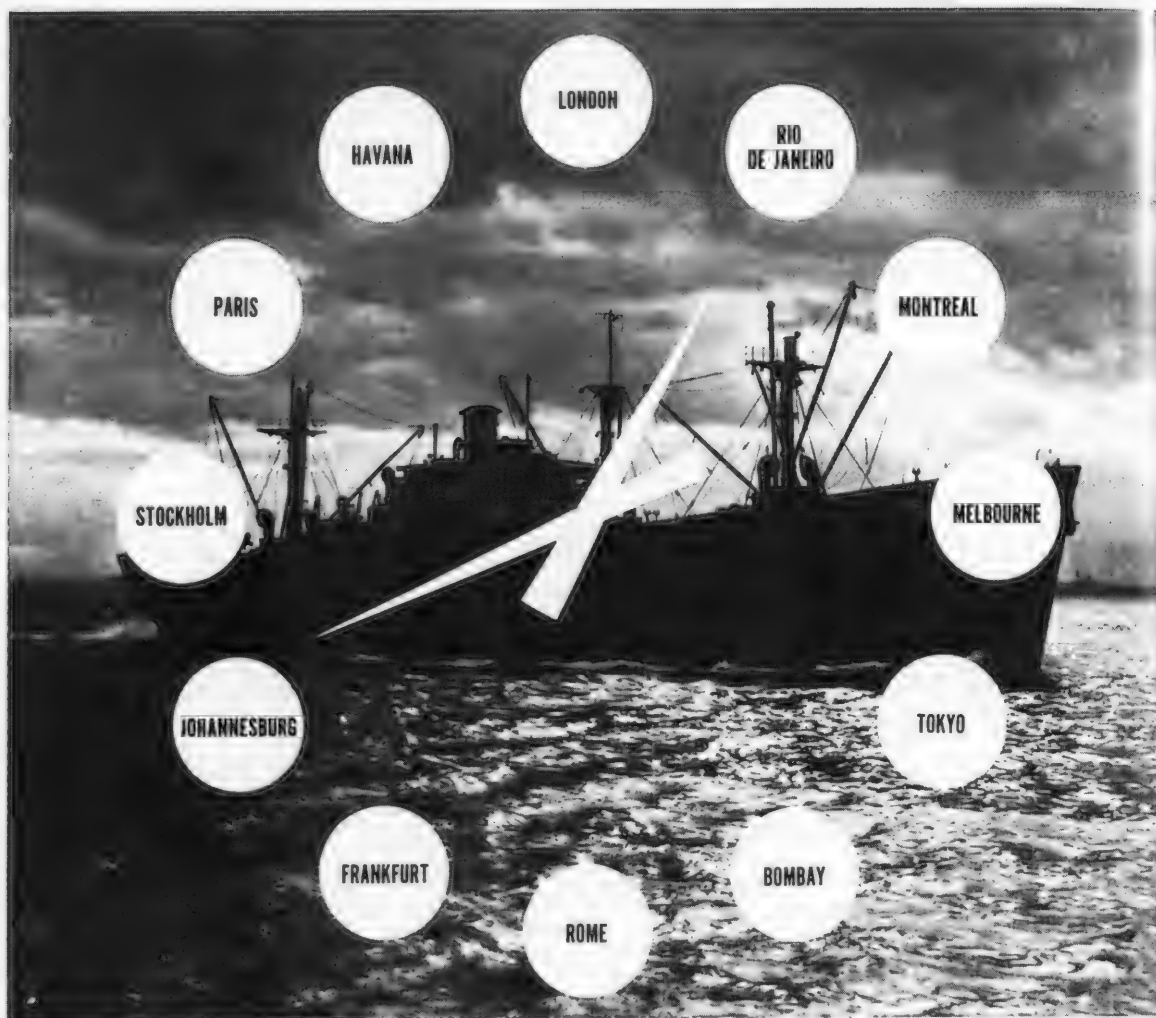


Chemicals for Industry

**ROHM & HAAS
COMPANY**

WASHINGTON SQUARE, PHILADELPHIA 5, PA.

*In Canada: Rohm & Haas Co. of Canada, Ltd., West Hill
Crystal Glass & Plastics, Ltd., Toronto*



International Banking—Around the Clock

Many of our Correspondent Banks have made our International Banking Department an essential part of their own organizations to provide such services as:

- *Remittances to Foreign Countries*
- *Establishing Import Letters of Credit*
- *Collection of All Items Payable Abroad*
- *Information on Foreign Trade*
- *Credit Reports on Foreign Names*
- *Data on Foreign Customs and Regulations*
- *Purchase and Sale of Foreign Exchange*

The forms and procedure which we provide for our correspondents require a minimum of detail work and, where appropriate, these forms are imprinted with the correspondent bank's name.

Working with leading banks in 153 countries, we are able to serve you and your customers in every important market in the world. Whatever the transaction, wherever its point of purchase or sale, we welcome your inquiries.

MANUFACTURERS TRUST COMPANY

INTERNATIONAL BANKING DEPARTMENT: 55 Broad Street, New York 15, N. Y.

REPRESENTATIVE OFFICES: London, Tokyo, Rome, Frankfurt a.M.

Member Federal Deposit Insurance Corporation

The Dollar

(CONTINUED FROM PAGE 45)

our massive help since World War II do not take some of their weight off our shoulders.

Not only have some of the now prosperous industrial countries been getting a good deal of their military defense at the U.S. taxpayer's expense, but in foreign trade have been making profits from underdeveloped countries which are being aided by U.S. grants. Thus, in the long run, some of the aid we give the underdeveloped eventually turns up as an addition to the reserves of prosperous Europeans and tends to add to the drain on our gold. Yet U.S. goods still are being discriminated against abroad.

While the U.S. balance of payments is adverse, the dollar is a long way from becoming a soft currency. It is simply no longer a scarce currency. Its plentifulness today is evidenced by the \$18-billion of short-term dollar assets owned by foreigners, including the IMF. Their retention of such large balances here is indeed a mark of confidence. A number of delegates to the IMF's annual meeting expressed their confidence in the dollar and in Washington's anti-inflationary policies.

Maurice Frere, former governor of Belgium's National Bank and former chairman of the Bank for International Settlements, has had confidence in the dollar all along. "Having spoken with Secretary of the Treasury Anderson and knowing Chairman William McChesney Martin, I have trust in their firmness and have no doubt that they will master the situation and overcome any little difficulties that may arise in protecting the value of the dollar."

A German View

President Karl Blessing of the Deutsche Bundesbank is another who exhibits full confidence in the dollar. This confidence he has expressed in public. German confidence in the dollar is exhibited by the \$1.43-billion of that country's short-term dollar assets, which could be converted into gold. The Germans hold that all currencies of the West are in the same boat and all must resist inflation, as the U.S. authorities are doing.

Our gold losses since 1957—some

\$3¼-billion has gone abroad—have been cited as signifying loss of confidence, but the growth in foreign short-term assets here belies that conclusion. During the same period, since 1957, our total short-term liabilities to foreigners have increased by nearly \$3½-billion. Even if we omit from the latter figure the \$1.03-billion increase this year in the U.S. subscription to the IMF, foreigners have added about \$2½-billion to their short-term holdings here rather than take gold.

The fact is that, due to balance of payments reasons including loans and gifts to others, the U.S. has been incurring a deficit and the rest of the world a gain. In all, the world has gained about \$6¾-billion from us since the end of 1957 in new dollar short-term assets and in gold from the U.S. stock.

"Dollar Is All Right"

Across the Atlantic there may be some who view this change with satisfaction and whose observations give rise to rumors and concern. But George Schwartz, well known London financial writer, sees it otherwise. "I think the dollar will be all right and is all right now," he told BANKING. "The modern world was established on sound currency and the U.S. developed on a sound dollar."

Discussing the fluctuations in the U.S. gold stock and short-term dollar balances of foreigners, Mr. Schwartz added: "Why shouldn't you be an international financial center and why shouldn't you hold foreign balances put here temporarily by foreigners? I see no reason why the owners of these balances now here should want to withdraw them all suddenly. But you had to expect some reverse flow of balances or gold as world currencies improved in strength. As a world banker you must tolerate both inflows and outflows.

"As for your gold losses," he continued, "with your gold stock now down to 'only' some \$19-billion, remember that until 1914 the UK operated as the world's banker on a very slender gold reserve. And don't forget that today the U.S. has tremendous capital assets abroad. There is no reason why you should not have short-term liabilities and long-term assets. If we were in your boots we'd not be perturbed."

The external strength of the dol-

lar depends on its domestic strength. If the dollar is kept sound at home its value abroad will take care of itself. On the need to keep the dollar sound the Treasury and Federal Reserve Board see eye to eye. They recognize that, during the past two years when we were losing gold, our exports fell off while our imports were unimpaired. During this period our foreign aid has continued as a matter of Administration policy, and private direct investments by Americans abroad, pursuant to U.S. official encouragement, have put large sums of dollars into foreign hands.

We continue to export at the rate of about \$3-billion a year more than we import. But, as Secretary Anderson informed the IMF governors, this is still \$4½-billion short of meeting the \$7½-billion of U.S. outpayments per annum, due to U.S. military expenditures abroad, U.S. grants and loans, and private capital outflow. The Administration is hoping that the adverse balance of payments soon will be reduced by increased exports of U.S. merchandise. In the furthering of this goal, Mr. Anderson stated that the U.S. can no longer view sympathetically other countries' postponement of removal of discriminatory arrangements harming our exports. The time has come for a change, he said.

Discrimination Unjustified

"Countries which no longer suffer from inconvertibility in their international receipts do not have any balance of payments justification for discriminatory restrictions . . . to favor imports from nondollar countries over those from dollar countries." The discrimination, he pointed out, exists not only in respect to U.S. goods, but to restrictions on foreign tourists to obtain funds to travel here. "We consider that it is most important for the Fund to declare its position on this matter clearly and forcefully. This is of particular concern to the collaboration between the Fund and the GATT," Mr. Anderson prodded.

U.S. sources report the Secretary's remarks are viewed as reasonable abroad. The U.S. expects by mid-1960 considerable lessening of European discrimination against the dollar. In adhering to the GATT, the countries referred to committed themselves to eliminating discrimination when no longer needed and for that agreement the U.S. paid in

advance. It now demands implementation of their undertaking. In this demand it enjoys the full support of Canada.

The foreign aid program is one which complicates the balance of payments as well as the problem of balancing the U.S. budget. Foreign aid is a program on which President Eisenhower has always laid great stress and the Administration evidences no intention to cut it down. U.S. leadership in supporting the proposal for an International Development Association, a "soft" bank, has been presented as an effort to get other industrial countries to take a larger share in the development of underdeveloped countries. But this does not mean that through IDA they will take over any of the burden the U.S. is already carrying in giving bilateral aid to the underdeveloped. Under Secretary of State C. Douglas Dillon so states, and the representatives of the underdeveloped countries at the IBRD meeting unanimously hailed this disclosure. IDA's funds are to supplement other aid.

A Weakening Factor

The International Development Association, which the U.S. has been pushing, will doubtless join the growing roster of international banks before 1961, as a satellite of the World Bank. From the latter's viewpoint this will be much better than the UN-proposed SUNFED (Special UN Fund for Economic Development), in which Russia would have an important voice. Just the same, IDA will tend to weaken the standards of international banking institutions, for it will be by charter a soft-loan institution. The more that poor countries borrow from IDA the more will their creditworthiness for bankable loans elsewhere tend to be impaired.

IDA, it is proposed, will make loans in hard currencies which will be at moderate rates of interest and repayable either in hard currencies over a very long period, probably after an initial period of grace, or in soft currencies which IDA probably will have little chance to use. Many have serious reservations about IDA and it may raise some troublesome questions for the IMF.

A Briton comments: "IDA will keep up inflationary pressures in the world." A German observes: "We are against too many international

organizations. As IDA will be in effect a part of the IBRD, that is reassuring that it won't run wild. But there will be two doors to the same bank; the IBRD accepting the good risks and turning over the bad ones to its easy-money annex." An American says: "Why create a new bank when they still haven't paid their dues to the IBRD?"

A French Opinion

A Frenchman notes: "If the IDA takes soft currencies and tries to use them internationally, it could lead to endless negotiations and bitter relations. The soft-currency feature is extremely dangerous. It would make it impossible for underdeveloped currencies to be made convertible and would make for a revival of multiple currencies."

The British, who at New Delhi in 1958 opposed the IDA, expect a full Parliamentary debate of its soft-currency aspects.

So far no one knows just what the IBRD's executive directors will come up with in the nature of a charter for IDA. There are difficult questions to be answered. If we do not know what powers the new soft bank will have, still less do we know just what effects it will have when it is operating.

A Dutchman observes: "If borrowers from the IDA make their payments to it in soft currencies taken out of circulation and do not consent to IDA using those currencies, the effect will be deflationary. If instead the soft currency is created by book entries and then spent by IDA the effect will be inflationary. Then again, if an underdeveloped country uses an IDA loan for imports, internal liquidity won't be affected; but as the loan is serviced the effect would be deflationary in the borrowing country. Such a loan would doubtless entail domestic costs of a project, which would tend to stimulate internal spending and demand for imported goods."

IDA probably won't be able to use the soft currencies it accumulates without the consent of the country concerned. Suppose IDA wants to use Indian rupees to buy goods for the Philippines. India is likely to say: "No. That cuts into our normal export business." Or suppose IDA invests its soft currencies in local enterprises. Will this be deemed a new form of colonialism?

And what about the millions in

soft currencies which the U.S. already holds as a result of the sale abroad of surplus farm products under Public Law 480? Some have proposed that we pay our way into IDA with these otherwise virtually useless balances; but countries where those soft bank accounts are held reject the suggestion. What they look for are new dollars. And still more later. Thus the Malayan Finance Minister insists that the industrialized nations buy their IDA shares with hard currencies and adds: "The proposed capital of \$1-billion is unlikely to be adequate and . . . it is clear that constant replenishment of its resources will be required." The Hon. Tan Siew Sin is to be commended for his perspicacity.

A Step Forward

Secretary Anderson succeeded in October in getting international approval in principle of the creation of a new development bank. While this will in no way help strengthen the dollar, the U.S. confidently expects that foreign discrimination against dollar trade will be significantly lessened in the not distant future. This will help the dollar. And, as our exports increase, foreign balances here should tend to decline and the gold outflow to diminish or stop entirely. Should interest rates show any decline next year, this will be an added influence on foreign balances here, assuming that interest rates in Europe do not also decline.

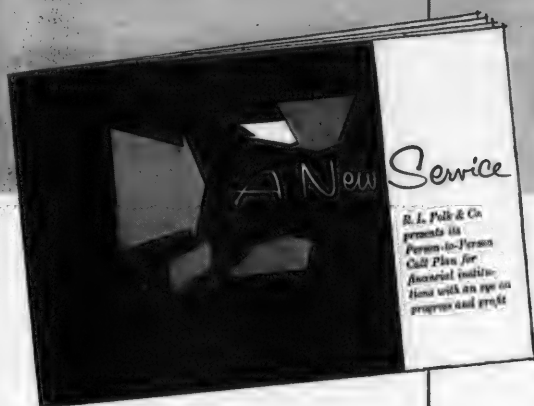
The U.S. also is hopeful that other industrial nations will assume a larger share of the burden of aiding the underdeveloped. If they do this, it too will aid the dollar. This will benefit not only ourselves, but foreigners holding a stake in the dollar.

No Confidence Lost

So long as foreigners hold short-term dollar assets in volume it cannot be claimed that they have lost confidence in the dollar. To an important extent foreign currencies are on the dollar-exchange standard. The American policies which determine the value of the dollar at home give to that unit its value abroad. And, since gold is linked to the dollar at \$35 an ounce—a price which Secretary Anderson has just reaffirmed—our domestic and international policies are a determining factor in the value of the world's gold reserves as well.

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November 1959

83



John H. Crocker, left, president of the Citizens National Bank of Decatur, Ill., and newly appointed chairman of the Agricultural Commission of the American Bankers Association, points out Citizens' correspondent accounts on Illinois map to Haldon B. Ayars, president, Ayars State Bank, Moweaqua, Ill.

Average Farm Assets Almost \$30,000

WITH more than \$6-billion in loans to more than 2,250,000 farmers, banks are by far the most important lending institutions in American agriculture, John H. Crocker, newly appointed chairman of the Agricultural Commission of the American Bankers Association, declares in a recorded radio broadcast released early in October.

Mr. Crocker, chairman of the board and president of the Citizens National Bank of Decatur, Ill., and a director of the Federal Reserve Bank of Chicago, was interviewed by Don Lerch, Jr., agricultural and public affairs consultant of Washington, D. C. The recorded broadcast has been released to some 400 radio stations across the country as a public service by the Committee on Agriculture of the American Petroleum Institute.

In the question and answer exchange between Mr. Crocker and Mr. Lerch, Mr. Crocker stated that "capital investments are getting the kind of results farmers like. Being a good businessman, the farmer invests in new buildings, machinery, equipment, fertilizers, spray materials, seeds, and so on where it will

do him the most good. The amount of invested capital is growing rapidly. The assets invested in farm production now average nearly \$30,000 per farm. That is 68% more than it was 10 years ago. Investments of \$100,000 and more are not uncommon. In the same period, crop output per man-hour has more than doubled. Capital investments of the right kind are making farming more efficient—and that is the kind of result farmers want."

The increased size of the average

non-real-estate loan to farm borrowers was emphasized by Mr. Crocker. "Bankers," he said, "expect the average non-real-estate loan to farm borrowers to reach \$25,000 by 1975—about 10 times the present average. Here's why. Farm consolidations, mechanization, increased fertilization, and more output per man-hour offer many opportunities to use capital investment to advantage. As farm operations become larger, loans for capital investments will grow."

J. H. Crocker New Chairman of Agricultural Commission

John H. Crocker was named chairman of the Agricultural Commission of the A.B.A. by President John W. Remington, president of the Lincoln Rochester Trust Company, Rochester, N. Y., at the A.B.A. convention. He succeeds Harry W. Schaller, president of the Citizens First National Bank of Storm Lake, Iowa.

Besides having served on a number of committees of the Illinois Bankers Association, he was treasurer for one term.

Mr. Crocker has served the American Bankers Association in a wide variety of capacities, including two terms as a member of the Executive Council; state vice-president for Illinois; regional vice-president; four terms as a member of the Federal Legislative Subcommittee on Agricultural Credit, during two terms of which he was chairman; and two 3-year terms as a member of the Association's Agricultural Commission.

NEWS



for Country Bankers

Major Adjustments in Farm Credit Revealed by A.B.A. Survey

BANKS serving agricultural areas have made two major adjustments in farm credit in the past 12 months, according to Harry W. Schaller, immediate past chairman of the Agricultural Commission of the American Bankers Association, reporting on a study which has just been completed by the commission. The study shows that the average size of farm loans made by banks has increased and that interest rates have advanced moderately. Reviewing results of the A.B.A. survey, Mr. Schaller, who is president of the Citizens First National Bank, Storm Lake, Iowa, reported:

"Farmers' capital requirements have increased rapidly. Within the last 20 years, the average dollar value went up about 400%. Consequently, the average size of farm loans needed by commercial family farmers also increased approximately 400%. The need for larger loans threatens to become the most significant farm credit problem facing rural bankers," he said.

Lines of Credit Increased

Reflecting this need for larger farm loans, bankers increased the size of their lines of farm credit. Based on the fall 1959 agricultural credit situation survey by the American Bankers Association, the average size of the lines of bank farm credit during the last 12 months was 7% greater than a year previous. The sharpest rises tended to occur in the corn belt and Appalachian regions.

Although the average size of bank farm loans may, in some areas, be smaller than farm loans made by other lenders, the gradual increase in the size of bank loans reflects progress. Bankers, by and large, are aware of farmers' changing credit needs and are finding it necessary to become more attentive to the

relationship between the size of bank farm loans and the size of their bank capital accounts. Since the A.B.A. initiated the semiannual farm credit situation survey, the frequency with which bankers mentioned high farm capital needs as a principal credit problem has increased sharply. As a consequence of greater capital requirements, correspondent bank and insurance company relationships have received greater emphasis.

While bank farm loans became larger, the bank farm credit situation became stronger. Delinquency of payments decreased during the last 12 months from an already low level. Farmers' deposits continued

*This department is edited by
MARY B. LEACH of BANKING's staff.*

to increase, although more moderately than a year previous as farmers, in many cases, withdrew deposits in 1959 to expand capital investments.

In addition to the problem of volume per loan, banks serving farmers were confronted, during the last 12 months, with the problem of maintaining an acceptable aggregate volume of capital funds for their rural areas. The money market became tight. Investors bid aggressively for funds. In the larger cities, bank rates on short-term business loans increased about $\frac{3}{4}$ of 1%.

In view of the high demand for

USDA Report on Current Agricultural Situation

PRODUCTION of livestock and livestock products in 1959 is running above a year ago and output of crops based on October 1 conditions equaled the 1958 record. Total farm output this year is expected to be slightly larger than in 1958 and some 25% above the 1947-49 average.

Realized net farm income for the first three quarters of 1959 was at an annual rate of \$11½-billion. This was \$1.6-billion lower than in the same period of 1958 but a half billion above the 1957 total. Lower average prices, increased production expenses, and discontinuance of acreage reserve payments are the main factors in the decline from last year.

The expansion in hog production which began last fall appears to be slowing down and may end in 1960. Producers in 10 corn belt states reported intentions to farrow 4% fewer sows in December-February than last winter when farrowings were unusually large.

Egg production is likely to fall below a year earlier by early 1960. This is indicated by 5% fewer potential layers on farms September 1. During the rest of 1959 output is likely to continue close to the same period in 1958.

Prices received by growers for fresh market vegetables this fall are likely to average somewhat above a year earlier if supplies are down materially as now indicated.

The U. S. carryover of cotton on August 1, 1960, is expected to be about the same as the 8,900,000 bales of August 1, 1959. A sharp increase in production is expected to be accompanied by an equally sharp increase in disappearance.

Prepared for BANKING by U. S. Department of Agriculture.

credit in general, a higher rate paid by farmers became necessary. Bank rates paid by farmers increased an average of $\frac{1}{4}$ of 1%. This was about the same as the increase for bank rates on comparable short-term nonfarm business loans.

The credit conditions survey revealed a degree of flexibility in rural interest rates. They were more or less sensitive to the central money markets. This flexibility was in the best interests of farmers. It helped them compete for capital funds.

Banks which made adjustments in interest rates and in loan size for worthy borrowers are to be commended for helping to make it possible for banking to expand farm credit services to a total of \$6.4 billion at mid-1959.

"Although desirable adjustments were made and bank farm credit remained basically strong, the cost-price squeeze became an increasingly important problem. This reflected the decline from 85 to 80 in the parity ratio during the 12-month period ending September 1959," Mr. Schaller said.

Bank Egg Promotion Aids Poultrymen

LAST summer, when northeastern area poultrymen were having a hard time selling their eggs, the Binghamton (N.Y.) Savings Bank launched a public relations promotion program to help farmers in the area to increase demand by popularizing the use of eggs.

Under the direction of Rolland A. Watrous, director of public relations, the bank installed a special display and conducted a contest by which both the bank and the area poultrymen benefited.

Trading on the natural tie-up between eggs and the idea of a savings account as a nest egg for the future, Mr. Watrous devised a main-floor lobby display around the theme: "Let a Savings Account Be Your Nest Egg for Future Security." A prominent feature of the promotion was an egg-guessing contest, with bank visitors invited to guess the number of eggs in an oversize fish-bowl which was part of the display.

The display and guessing contest, a 2-week affair, received support in the bank's radio, TV, and newspaper advertising, as well as in publicity stories in the local papers.



By Presidential Proclamation, National Farm-City Week will be observed in the United States Thanksgiving week, November 22-28. Banks in many parts of the country are planning special customer relations programs to mark this observance aimed at bringing about better understanding between the urban and rural segments of our society

Commenting on the results of the contest, Mr. Watrous said: "The results were even more satisfying than we had dared to hope. All told, we had more than 2,700 entries in the guessing contest, and seven lucky guessers were rewarded with savings accounts opened in their names by the bank.

"However, probably our greatest satisfaction is that we were able to help our good neighbors, the poultrymen of the area, to solve the problem with which they were faced. Our bank not only believes in the prin-

To boost the Binghamton Savings Bank's egg promotion, Mr. Watrous gets an egg shampoo while seated in front of an egg promotion panel. Giving the shampoo is Sally Pearl, life insurance and new account interviewer and secretary



ciple of community service but takes every opportunity to put the principle to practice."

Arizona Bank Booklet Features Fertilizer

UNDER this heading: "Arizona banks finance agricultural loans," the Arizona Bankers Association in its new, colorful *Arizona farmers—profit from fertilizer* brochure points out to Arizona farmers that "new and improved farm practices may be financed by consulting with your local banker." After commenting on the advantages of soil fertility to the farmer and his banker the brochure states:

"Modern farming is a business just like others which bankers service. In order to get the most assistance from your banker, prepare budgets and complete farm plans several months in advance of need, showing estimated income and expenditures, including fertilizer at recommended rates. Be prepared to review with your banker other records, such as balance sheets, profit and loss statements, yield data from fertilizer use in previous years, and current fertilizer recommendations."

The production of this booklet was a joint project on the part of the Agricultural Committee of the Arizona Bankers Association and the University of Arizona. On cover four, Harold E. Myers, dean of the College of Agriculture and Agricultural Experiment Station, congratulated the bankers on their "progressive attitude toward modern, scientific farming."

Study Agribusiness Income

THE theme of the fifth agricultural conference for bankers, farm leaders, and businessmen, sponsored by the Wachovia Bank and Trust Company, Winston-Salem, N. C., on October 7 was "Increasing Agribusiness Income." This conference has become a yearly event because of the continuing importance of agriculture in the area served by Wachovia Bank.

Speakers at the conference included G. E. White, assistant general manager, Birdseye Division of General Foods Corporation, White Plains, N. Y., whose topic was "Why Do Processing Plants Locate Where?"; the Honorable Charles N.

(CONTINUED ON PAGE 88)



Since more than half of Citizens State Bank's business is with farmers, Banker Nelson (right) often visits farms with Purina Dealer Johnson. Here, they discuss cattle with Farmer Elvin Uecker, a Bank customer.



In 12 years, Gaylord Feed Mill has grown into one of the community's major businesses.

"TEAMWORK WITH OUR PURINA DEALER HAS MADE GAYLORD BUSINESS BETTER"

—says I. M. Nelson, President
Citizens State Bank, Gaylord, Minnesota

"Anything that contributes to the prosperity of Sibley County farmers makes business better in Gaylord," says Mr. Nelson. "Such result has come from our teamwork with Purina Dealer Clayton Johnson, of Gaylord Feed Mill.

"Our Bank helped Mr. Johnson buy a feed store 12 years ago when he came to Gaylord to start his Purina Service Center. We financed the rebuilding of his place after it burned out and we had a part in the expansion of his services to include modern grinding and mixing, grain banking and bulk feed handling. All these services help farmers get better results and add to community prosperity.

"We've found our Purina Dealer a good teammate in making pro-

duction loans. We often discuss such loans with Mr. Johnson before we reach a decision. We consider his recommendation reliable. His work with farmers helps them get better results, and that gives us added protection on our loans.

"Working with our Purina Dealer has been good bank business and an important service to the community."

* * * *

Clayton Johnson was a stranger in Gaylord 12 years ago when he went to Citizens State Bank to get help in buying a feed business. His first modest loan did not rank him as one of our Bank's best customers. Today, his Purina Service Center is one of Gaylord's major businesses and it is a quarter-of-a-million-dollar customer of the Bank.



PURINA...YOUR PARTNER IN SERVING ANIMAL AGRICULTURE

Shepardson, member, Board of Governors, Federal Reserve System, Washington, D. C., who spoke on "Modern Agriculture and Finance"; and the Honorable Sam J. Ervin, Jr., United States Senator from North Carolina.

Those attending were guests of the bank at luncheon and at the Dixie Classic Fair at the Winston-Salem Fairgrounds and at a reception and dinner at the Forsythe Country Club.

New Banker Magazine

A NEW magazine—*The Bank Farm Representative and Agricultural Banker*—made its appearance in September 1959. It is published by the Franchise Publishing Company, Inc., Chicago.

The publishers announced that this is the only magazine concentrating entirely on the special interest of agricultural bankers and that it will feature the newest developments in agricultural economics, financing, farm management, production efficiency, and market forecasts.

Proof Machine Time Saver

"NO less a meeting place than a country post office is the small town bank in a rural community," said Ruth Haliburton, assistant vice-president, First State Bank, Vega,

Arlie Murphy, president, Bank of Benton, Ill., left, presents his bank's grand championship trophy to Terry Mitchell, West Frankfort, Ill., owner of the prize-winning Black Angus steer in the 4-H Championship Show at the Franklin County Fair. The Bank of Benton annually presents trophies to first, second, and third place winners at the steer show



Trustmen Talk Things Over



Leaders in the trust field at the 33rd Western Regional Trust Conference of in A.B.A. in San Francisco. Left to right, J. R. Johnson, vice-president and senior trust officer, Bank of America, San Francisco, and general chairman of the conference; John W. Remington, president, Lincoln Rochester Trust Company, Rochester, N. Y., and the then vice-president, now president, American Bankers Association; and Carlisle A. Bethel, vice-chairman and senior trust officer, Wachovia Bank and Trust Company, Winston-Salem, N. C., who was then president, Trust Division, A.B.A.

A full digest of the conference addresses will be carried in the November and December issues of the A.B.A. Trust Bulletin. Some conference investment ideas may be found on page 10 of this issue of BANKING.

Tex., during a discussion of the "Internal Operations of a Country Bank" at the convention of the National Association of Bank Women.

On the subject of check-handling, Miss Haliburton said:

"Our newest time saver is our less-than-a-year-old-proof machine that has consistently demonstrated its important advantages of speeding the flow of work and of customers, of finding errors on deposit tickets before balancing time, and of reducing much of teller detail work. Our daily average of 950 checks and deposits are posted on two National posting machines—we use delayed double posting. Following posting, the checks and deposits are photographed by the Recordak and filed until the last day of the month, when statements are prepared, by all the staff, and mailed to the customers.

"From the stub of the statement sheet is computed the service charge, which is based on a maintenance charge of 75 cents, plus a 3-cent charge for each check, from which total is deducted 10 cents for every average hundred dollars maintained in the account that month. Accounts having two or less checks are exempt from charge, as are church accounts, club accounts, and school class accounts. Our teller's cash and general ledger are posted by hand, the note liability ledger by machine. The majority of our foreign items are

remitted daily to a correspondent in Amarillo; the remainder to correspondents in Fort Worth, Dallas, and Kansas City."

Bank Entertains Teachers

"THE last two years Bemidji, Minn., has inaugurated an educational and entertainment affair for our teachers," said Jane Swanson, assistant cashier, The Northern National Bank of Bemidji, during a discussion of services offered by country banks at the convention of the National Association of Bank Women in Milwaukee. "On this day," she said, "the teachers gather at the high school auditorium together with representatives from about 25 local business concerns. The teachers choose the type of business they would like to visit and about six of them are assigned to each place. The representatives of the business concerns take the teachers back to their places of business and take them on thorough inspection trips through their shops. Afterward the teachers gather in the office of an executive and ask all the questions they have in mind. That evening they are entertained at a banquet as guests of the business places participating. There is a reception preceding the banquet which gives everyone a chance to get acquainted. We find a wonderful opportunity to spread goodwill."

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Your Trust Department *can* capture this ready-made opportunity to tell its story to this lady, and to hundreds of other safe deposit customers who are prime trust prospects, by using our new service of trust displays for safe deposit booths.

The posters feature brief, to-the-point copy, dramatized by bold, colorful illustrations, and can be displayed effectively in elevators and other key loca-



e to tell her your trust story!

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permanent frames may be pur-
chased at cost. No contracts are
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Equally important to you: this new service is
created by an advertising agency which has
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To see full-color samples of the displays,
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about the program, simply clip and return this
coupon. You will receive the facts promptly,
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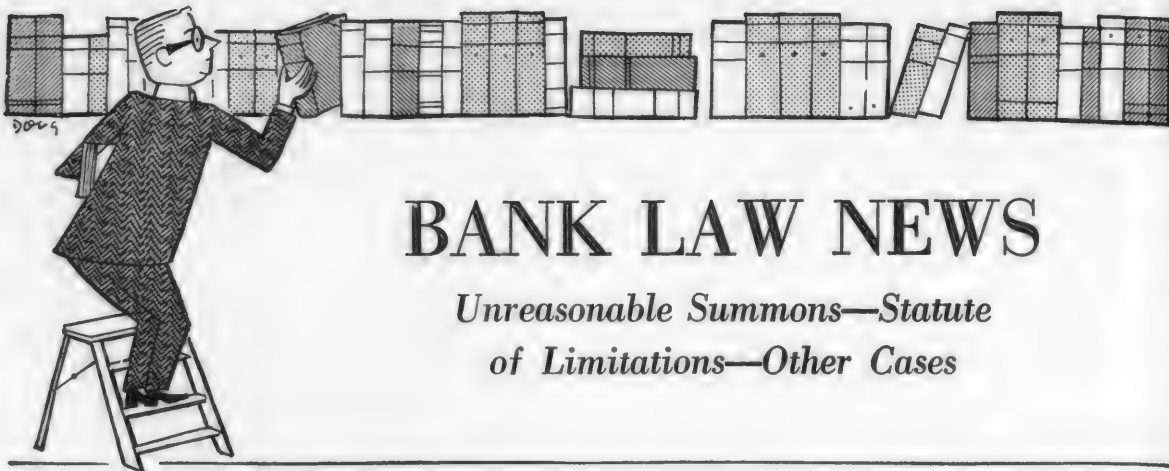
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BANK LAW NEWS

Unreasonable Summons—Statute of Limitations—Other Cases

UNREASONABLE SUMMONS

Bank not required to comply with unreasonable summons to produce bank records.

BY VIRTUE of the provisions of Title 26 U.S.C. §7602, a bank may be required, for internal revenue purposes, to furnish information with regard to the accounts of its customers. However, said the Federal District Court for the Western District of Arkansas, a bank is not required to comply with a summons to produce its books and records where the demands are so broad that compliance with the summons would impose an unreasonable burden on the bank.

The summons required the bank to produce, for the years 1955, 1956, and 1957, all "signature cards, ledger sheets, deposit tickets, microfilm records of checks, on all individual and corporate accounts, including checking, savings, special, trust, or otherwise" in the names of certain taxpayers under investigation, "or in which each or either [taxpayer] has an interest or controls, under whatsoever designation entered."

The bank refused to comply with the summons, contending that its requirements were so burdensome that to "order compliance therewith would be a deprivation of property without due process of law." The court upheld the bank's contention, ruling that the summons was unreasonable and, therefore, void.

The bank had showed that to comply with the summons, it would have had to search 17,000 active and 50,000 inactive signature cards, 147,000 ledger sheets and thousands of microfilm records, at a cost esti-

mated to be in excess of \$30,000. *U.S. v. First National Bank of Fort Smith, Ark. (Dist. Ct., Ark.) 173 Fed. Supp. 716.*

STATUTE OF LIMITATIONS

U. S. Government not barred by statute of limitations or laches in action against drawee bank for paying checks bearing forged payees' endorsements.

GENERALLY, a state statute of limitations will not run against a right of action in favor of the United States Government. This rule was followed in a case recently decided by the United States District Court for Maryland.

A drawee bank had paid, and charged to the account of a state agency acting for the Federal Government, about 2,700 checks bearing forged payees' endorsements. Upon learning of the forgeries, the agency had promptly notified the drawee.

However, for about seven or eight years, nothing was done about the matter. Finally, the United States, as the real party in interest and as assignee of the state agency, brought an action against the drawee to recover the amount of its loss.

This prompted the drawee to start an action against the banks which had guaranteed the genuineness of the payees' endorsements. This action was dismissed because the statute had run against the drawee's right to recover on the guaranties.

The drawee now turned the same guns on the Government's claim, contending that it was barred either by the statute of limitations or by laches. The court rejected the contention.

Generally, said the court, the "United States is not bound by any statute of limitations, nor barred by the laches of its officers, however gross, in a suit brought by it as a sovereign government to enforce a public right or to assert a public interest." This rule is founded on public policy. Any other rule might subject the Government, and the public, to serious losses. There are certain exceptions to the rule, but this case did not fall into any of them.

Moreover, said the court, the bank could have avoided this predicament by starting its action against the endorsing banks on their respective guaranties before the statute had run. *United States v. Fidelity-Baltimore National Bank & Trust Co. (Dist. Ct., Md.) 173 Fed. Supp. 565.*

FORGED ENDORSEMENTS

Under Florida law, drawee bank and casher of check held not liable to wife where husband forged wife's endorsement to check payable to husband and wife.

IT HAS been held, in a number of cases, that a drawee bank which pays a check upon the forged endorsement of the payee, is liable to the payee. Liability is also generally imposed upon a bank which cashes or collects such a check.

A different rule prevails in Florida where the check is payable to a husband and wife, and the husband forges his wife's endorsement and cashes the check. Under the circumstances, said the United States Court of Appeals for the Fifth Circuit,

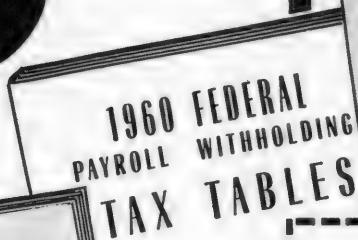
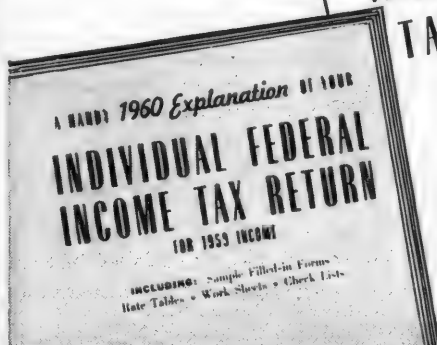
(CONTINUED ON PAGE 94)

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B-1159



FORT WORTH, TEXAS

STATEMENT OF CONDITION
AT CLOSE OF BUSINESS
OCTOBER 6, 1959

RESOURCES

CASH AND DUE FROM BANKS.....	\$ 70,417,920.18
UNITED STATES GOVERNMENT SECURITIES.....	56,057,654.42
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS.....	12,035,682.02
OTHER BONDS, NOTES AND DEBENTURES.....	45,195.00
STOCK FEDERAL RESERVE BANK.....	510,000.00
LOANS AND DISCOUNTS.....	137,652,393.25
INCOME EARNED—UNCOLLECTED.....	895,955.95
BANKING HOUSE AND GARAGE PROPERTY.....	3,648,666.56
FURNITURE AND FIXTURES.....	1.00
OTHER REAL ESTATE.....	7,308.00
CUSTOMERS' LIABILITY—LETTERS OF CREDIT.....	495,094.30
OTHER RESOURCES.....	33,950.31
TOTAL.....	\$281,799,820.99

LIABILITIES

CAPITAL ACCOUNT:	
COMMON STOCK.....	\$ 9,350,000.00
SURPLUS.....	10,000,000.00
UNDIVIDED PROFITS.....	1,591,568.75
RESERVE FOR CONTINGENCIES.....	3,246,239.53
RESERVE—AMORTIZATION OF BOND PREMIUMS.....	56,197.84
RESERVE—TAXES, INTEREST, EXPENSE, ETC.....	2,034,244.44
LETTERS OF CREDIT ISSUED.....	495,094.30
INCOME COLLECTED—UNEARNED.....	1,783,736.10
DEPOSITS:	
INDIVIDUAL.....	\$197,435,064.30
BANK.....	43,582,462.49
U. S. GOVERNMENT.....	4,718,644.31
OTHER PUBLIC FUNDS.....	7,506,568.93
TOTAL.....	253,242,740.03
	\$281,799,820.99

U. S. Government and other securities carried at \$32,087,155.30 in the above statement are deposited to secure public funds and for other purposes required or permitted by law.

Helping Build a Greater Fort Worth and Southwest

Capital and Reserve Accounts Over \$20 Million

MEMBER FEDERAL DEPOSIT

INSURANCE CORPORATION

(CONTINUED FROM PAGE 92)

neither the institution which cashes the check nor the drawee bank is liable to the wife for the payment to the husband.

The court restated the well established rule that a forged endorsement is wholly inoperative. When an instrument is payable to joint payees who are not partners, all payees must endorse unless one payee has authority to endorse for others.

However, said the court, there is also a well established principle in Florida that co-ownership of property between husband and wife gives rise to a tenancy by the entirety unless the spouses stipulate to the contrary. The essential characteristic of a tenancy by the entirety and the "crucial element in this case," said the court, is that "each spouse owns the whole of the estate, not an undivided share, moiety, or divisible part. There is but one estate and in contemplation of law the estate is held by one person."

Therefore, under Florida law, the husband and wife each owned the check; each had an undivided interest in the whole of the proceeds; payment of the check to the husband was, as a matter of law, payment to the "unity" and not merely payment to the one who actually received the proceeds. *Bello v. Union Trust Company (C.A., Fla.) 267 Fed. (2d) 190.*

BRIEF NOTES ON
OTHER CASES

Post-dated check. Bank is not liable for inadvertently paying a post-dated check where deposit agreement between bank and customer relieved bank of liability for payment of post-dated check "through error, inadvertence, negligence, or carelessness." *Kalish v. Manufacturers Trust Co. (N.Y. Mun. Ct.) N.Y.L. J., September 29, 1959.*

Payee as holder in due course. Under Georgia law, where evidence does not indicate that someone other than drawer filled in name of payee on check, payee cannot be holder in due course of check; drawer's defense of failure of consideration is available in action on check brought by payee. *Markan Realty Co. v. Klarman (Ga. App.) 109 S.E. (2d) 907.*

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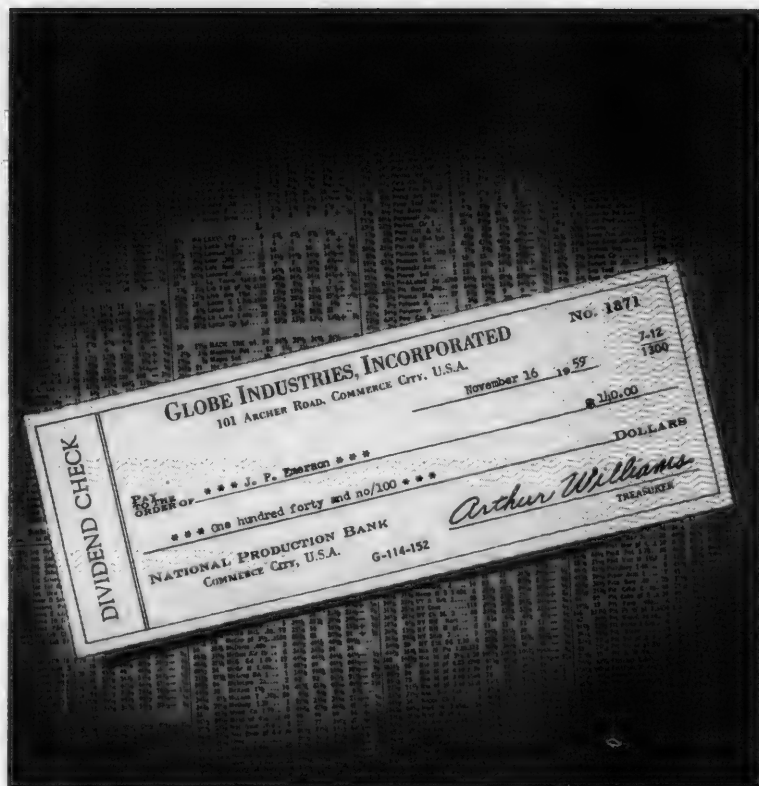
Federal tax liens. Although terms of real property mortgage permitted mortgagee to sell property in case of default, a junior Federal tax lien on the property could not be extinguished by mortgagee's non-judicial sale. A judicial foreclosure sale is required to extinguish the Government's tax lien. Enforcement and removal of such liens are governed by Federal, rather than state, law. *U. S. v. Bank of America N. T. & S. Ass'n (C. A., Cal.)* 265 Fed. (2d) 862.

Stopping payment. Where stop-order agreement required depositor to renew the "stop" in order to keep it effective, and depositor failed to renew, bank was not liable to depositor for paying check 11 months after its issuance. *William Savage, Inc. v. Manufacturers Trust Co. (N.Y. App. Term.)* 189 N.Y.S. (2d) 308.

Usury. Where makers of promissory note knew that it was void for usury and no payments were made thereon, and makers subsequently executed, "in lieu of the first note," a new note which was not usurious, execution of second note purged transaction of usury and second note was a valid obligation. *Mattar v. Moeller (Ark.)* 326 S.W. (2d) 808.

Promissory notes. In a case of first impression, Kansas Federal District Court ruled that presumption of payment of note because of lapse of time (over 23 years) was not available to the maker as a defense in an action on the note brought by the United States. *United States v. Harvey (Dist. Ct., Kan.)* 174 Fed. Supp. 573.

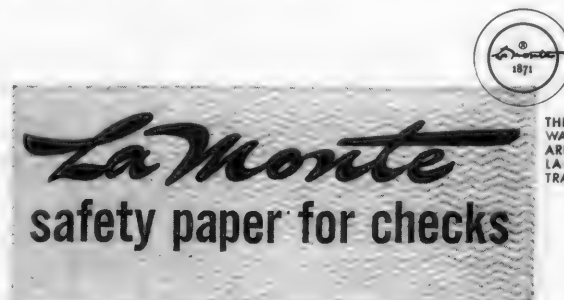
Savings bonds. Where husband and wife, co-owners of Series E savings bonds, entered into valid separation agreement whereby wife relinquished all right, title and interest in bonds to husband and he took possession of bonds and died five months later without having cashed them, surviving wife was legal owner of bonds; however, proceeds from bonds were impressed with a trust for benefit of husband's estate and wife was directed to deliver proceeds to husband's executor. *Tanner v. Ervin (N. C.)* 109 S. E. (2d) 460.



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BANKING NEWS

Statement on Status of Top Management of A.B.A.

In answer to certain questions that have been asked, Lee P. Miller, president of the American Bankers Association, early in October made the following statement:

"Merle E. Selecman is executive vice-president and chief staff officer of the Association. Mr. Selecman has been with the Association for 32 years and enjoys the full confidence of the Association and its members. It is our hope that he will continue to serve the Association in some important capacity until his retirement about three and a half years hence.

"Three years ago Mr. Selecman advised the officers of the Association that, although he was in good health, he desired to have his work load and executive responsibilities reduced. He also made that recommendation to the Planning Committee at the same time. He further recommended that plans be made for

his successor as chief staff officer of the Association.

"In October 1957, G. Russell Clark was named executive manager and chief administrative officer of the Association. In January of this year Mr. Clark resigned to become Superintendent of Banking of the State of New York. Following Mr. Clark's resignation, Mr. Selecman, for legal and by-law reasons, was elected executive manager in addition to his post of executive vice-president and chief staff officer.

"Mr. Selecman is and will continue to be executive vice-president and chief staff officer of the Association until any future plans may be announced. We hope that in due time we can accede to his expressed desires to have his work load and executive responsibilities decreased. It is recognized, however, that time is required for necessary action and adjustment for this transition."

A.B.A. to Make Comprehensive Study of Banker Education Programs by National, State, Local Banking Groups

A comprehensive study of banker education programs, covering the full range of training programs sponsored by national, state, and local banking groups, is being undertaken by the American Bankers Association, Everett D. Reese, chairman of the A.B.A.'s Council on Banking Education, announced recently.

The aims, Mr. Reese said, will be to get a clearer picture of banking's present-day and prospective educational needs, to match the programs already available to bank staffs against these needs, and to develop constructive recommendations which will help organized banking to expand and strengthen its educational services at all levels.

Mr. Reese, who is chairman of the board of the Park National Bank of Newark, Ohio, and a former A.B.A. president, described the study as the top-priority project of the Council

on Banking Education, which was established in 1958 as a planning and coordinating unit to work with other A.B.A. units and with the state bankers associations, in the educational field. Director of the council is Dr. Murray G. Lee of the A.B.A. staff.

The study will be conducted by a special subcommittee of the council, designated as the Committee to Study Banker Education Programs, under the chairmanship of Joseph C.

J. C. Welman



W. H. Baughn



"Bank Occupancy Expense" Manual by Bank Management Commission About Ready

Study Based on Questionnaire Sent Selected Group of Banks

"Bank Occupancy Expense," new publication of the Bank Management Commission of the American Bankers Association, will help a bank figure how much it can afford to pay for buildings or for rental; or, at least, to judge how its own occupancy expense compares with that of other banks. The booklet will be ready for distribution about November 1.

The commission conducted a survey in which a detailed questionnaire was sent to a selected list of banks. In planning the questionnaire, the committee in charge of the project experimented with a large number of questions and computations to determine the factors that would be suitable for measuring occupancy expense. The resulting questionnaire asked for 25 items of information—some obtainable from a bank's books and some, necessarily, estimated. The answers to the questionnaires have been analyzed and the results summarized in the study.

The committee of the commission responsible for the new manual was headed by: Owen T. Jones, vice-president and controller, American Trust Co., San Francisco.

One copy of the new booklet is being mailed about November 1 to every A.B.A. member bank. Additional copies will be available at 50 cents each from the Department of Printing, A.B.A., 12 East 36th Street, New York 16, N. Y.

Welman, president of the Bank of Kennett, Mo. Mr. Welman was president of the Association in 1957-58.

Dr. William H. Baughn, associate dean of the School of Business Administration at the University of Texas, has been selected by the committee to handle its staff work and will have the title of project director.

The study will get under way immediately. (CONTINUED ON PAGE 98)

NYSBA Opposes Major Changes by Legislature in New York State Banking Law

Speaks on Holding Companies, Bank Districts, and Branching

The interest of the people and the economy of the State of New York will best be served by making no material changes in the banking law, the New York State Bankers Association declared recently. In a letter to Senator John H. Cooke, chairman of the Joint Legislative Committee to Revise the Banking Law, the association's official policy for the 1960 session of the New York State Legislature was set forth on problems relating to holding companies, district lines, and branch banking.

On holding companies, the NYSBA declared that stop-gap limitations should be allowed to expire so there will then be a reversion to the situation existing in the state prior to the original enactment of this stop-gap limitation in early 1957, with such safeguarding as the Joint Committee and the Legislature might deem advisable so as to provide some state regulation of holding companies in addition to that now vested in the Federal Reserve Board. The association said it has no objection to holding companies operating without regard to banking district lines. This would permit competition with existing holding companies.

On banking district lines, the association said that the division of New York State into nine banking districts has operated successfully for 25 years and that no changes should be made.

Since savings banks and savings and loan associations are substantially immune from Federal income taxation and any requirement to carry cash reserves, their present branch office privileges should not be enlarged until they pay Federal income taxes and maintain cash reserve requirements similar to commercial banks.

Mutuals State Position

In a statement of its position sent to Senator Cooke, the Savings Banks Association of the State of New York made six key points with respect to revisions of the state banking law, as follows:

"I CAN" In "AmeriCAN" Is Used in The Southern Banker Article to Emphasize A.B.A. Membership Advantages

"The I CAN in AmeriCAN Bankers Association" is the title of an article by O. Kathryn Bell, vice-president of the Barnett National Bank, Jacksonville, Fla., in a special A.B.A. convention edition of *The Southern Banker*.

Miss Bell used the "I CAN" in American to emphasize the advantages of bank membership in the A.B.A. For example, in a 13-point listing, she points out that as a member of the A.B.A.:

"I CAN benefit from the experience and knowledge of approximately 900 bankers, nationwide, who contribute their services on its councils, commissions, committees, and divisions—coordinated and supplemented by the work of its able national headquarters staff. Each member, regardless of bank size, is exposed to its numerous services—available for the asking.

"I CAN become well informed on business and economic conditions, through reading the excellent arti-

cles in *BANKING*, and its specialized bulletins and News Letters; and through assimilation of digests prepared by the various committees. My customers benefit from this knowledge, because it inspires confidence in my financial judgment."

As state vice-president of the American Bankers Association for Florida for the past two years, Miss Bell became thoroughly familiar with the advantages of A.B.A. membership and explained them to banking groups throughout the state. She was able to bring Florida into the "100% A.B.A. membership club" and keep it there during her state vice-presidency. She added 26 new members to the Association roster.

Federal Highway Subsidy Is Topic for A.I.B.'s 1960 National Debate Program

"Resolved, That the Federal subsidy of highway construction be discontinued" will be the subject for the 1960 national debate program of the American Institute of Banking. The subject was announced recently by Harold F. Buker, of The First National Bank of Chicago, who is chairman of the Institute's National Debate Committee.

The A.I.B.'s annual debate program gets under way this fall as individual chapters throughout the country begin holding qualifying debates. These qualifying debates are the first step in choosing the two teams which will compete in the National Debate Contest for the Jesse H. Jones National Convention Debate Fund prizes, to be held in Boston next May 31 as part of the Institute's annual convention.

The contest in Boston will be the 12th to utilize the Jesse H. Jones Fund. The Fund was established in 1948 by the late Jesse H. Jones, then chairman of the board of the National Bank of Commerce, Houston, Tex., and a former U. S. Secretary of Commerce, to encourage debating as a part of the A.I.B.'s educational program as a means of training bank people as debaters.

(1) An omnibus bill is the only practical way to achieve a modern, comprehensive structure in the state;

(2) While the association does not seek branch parity with commercial banks, it does seek two additional branches area-wide in the Metropolitan New York district and one additional branch county-wide elsewhere in the state;

(3) Home office protection should be extended to all types of financial institutions except those in cities with populations of more than 250,000;

(4) If the freeze on bank holding companies is allowed to expire on February 15, 1960, then some provision should be made for the expansion of savings banks;

(5) State-chartered savings and loan associations should be afforded opportunities to grow and expand in a manner similar to those sought by savings banks; and

(6) New York City and its suburban counties of Nassau, Suffolk, and Westchester comprise a natural trade and economic area and as such should be consolidated into a metropolitan district.

Banker Educational Study

(CONTINUED FROM PAGE 96)

mediately, Mr. Reese said. Dr. Baughn has made arrangements with the University of Texas to accept a reduced teaching load during the fall and spring semesters to permit him to devote part of his time to the A.B.A. project. Beginning next May, he will be on leave of absence from the university until February 1961—the target date for completion of the work.

As project director, Dr. Baughn will handle the staff work of the study committee, including the necessary surveys and research.

Dr. Baughn is widely known in both academic and banking circles. For the past eight years he has served as associate (academic) director of the School of Banking of the South.

The study committee, Mr. Reese said, will work closely with other A.B.A. units and with the state associations in what is expected to be a broad-based, cooperative effort to determine whether the right things are being done to the right extent, what else needs to be done, and how to do whatever needs doing.

Study Committee Members

In addition to Chairman Welman, the study committee will consist of nine bankers selected by reason of their long experience and interest in bank personnel administration, executive development, and various aspects of banker education. The members are: A. Gordon Bradt, vice-president, Continental Illinois National Bank and Trust Company of Chicago; John B. Henneman, vice-president, Hanover Bank, New York; William M. Jenkins, president, First National Bank of Everett, Wash.; Ralph A. McNinch, president, Merchants National Bank, Manchester, N. H.; Charles L. Sayre, executive vice-president, National State Bank of Boulder, Colo.; Orrin H. Swayze, executive vice-president, First National Bank, Jackson, Miss.; Martin J. Travers, senior vice-president, Marine Trust Company of Western New York, Niagara Falls; Harold W. Wallgren, vice-president and cashier, Philadelphia National Bank; and Edward A. Wayne, first vice-president, Federal Reserve Bank of Richmond.

Mr. Reese noted that plans for the study of banker education have been under discussion for some time by

Dr. William C. Bradford of Northwestern U. to Be Assoc. Dean of Trust School

A.B.A.'s National Trust School Will Open in Evanston in 1960

Dr. William Castle Bradford, assistant dean of faculties of Northwestern University, will be associate director of The National Trust School sponsored by the Trust Division of the American Bankers Association, which will hold its first resident session during August 1960 on the campus of Northwestern University in Evanston, Ill. The announcement of Dr. Bradford's acceptance of the associate directorship was made by Joseph H. Wolfe, A.B.A. deputy manager in charge of the Trust Division and director of the school.

Dr. Bradford earned his B.S. and M.A. degrees at Syracuse University in 1942 and 1944, respectively; his A.M. at Harvard University in 1946; and his doctorate at Harvard in 1947. He was assistant dean of Harvard College, 1946-47; has been professor of business economics at Northwestern University since 1948, and dean of its summer session since 1952. He has been assistant dean of faculties since 1958.

In addition, he is educational consultant of the Federal Reserve Bank of Chicago and is co-author of "Business Economics: Principles and Cases." Dr. Bradford is a member of the American Economics Association, American Academy of Political and Social Sciences, Beta Gamma Sigma, Beta Theta Pi, and Delta Sigma Pi.

The National Trust School will offer instruction on the level between that of the more elementary courses of the American Institute of Banking and that for more experienced trust officers offered at the A.B.A. Stonier Graduate School of Banking. Covering all phases of the trust business, the new school's purpose will be to train its students for responsibilities as trust officers.

the trustees of the A.B.A.'s Foundation for Education in Economics, which will finance the study, and by the State Association Section. In 1957, the State Association Section's

Mid-Winter Trust Conference Will Be Held at Waldorf in New York on February 8-10

Trust executives from banks throughout the United States will meet in New York next February 8-10 to discuss the prospects and problems of their business in the light of the economic outlook. The trustmen will attend the 41st Mid-Winter Trust Conference of the American Bankers Association, to be held at The Waldorf-Astoria.

Dates for the conference, which will be sponsored by the A.B.A. Trust Division, were announced by Carlysle A. Bethel, immediate past president of the division, and vice-chairman and senior trust officer, Wachovia Bank and Trust Company, Winston-Salem, N. C.

The Mid-Winter Trust Conference is a meeting of national importance in the trust field and annually attracts well over 2,000 trust and bank executives. During the three days, the conference will hear addresses by men of national reputation in such fields as economics, law, government, and world affairs, as well as topflight bankers and trust executives.

St. Petersburg Locale of A.B.A.'s Southern Trust Conference, May 12-13

The American Bankers Association's third Southern Trust Conference will be held in St. Petersburg, Fla., May 12 and 13, 1960, Carlysle A. Bethel, retiring president of the A.B.A.'s Trust Division, has announced. The meeting will be held at the Colonial Inn-Desert Ranch.

Hosts to the conference will be the banks of Pinellas County with trust departments.

The meeting is expected to draw trustmen from Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia, Mr. Bethel said.

Committee on Bankers Schools published a factual survey of the many schools, conferences, clinics, and seminars sponsored by the state associations.

NEWS

nounced the incorporation of its own wholly-owned credit and financing subsidiary, the Ford Motor Credit Corp. At this writing, however, the Ford auto finance plan is not yet available to purchasers.

Banks Offered Ad Tie-ins With Xmas Appliance Promotions

AS the major appliance industry swings into what looks like the biggest Christmas promotion ever, banks can get tie-in advertising aids for appliance loans from at least three sources.

A 2-column, 85-line ad is offered members of the American Bankers Association through its advertising department.

Another appliance loan advertisement for banks, appropriately marked as a tie-in with an intensive "Make Your Home Happier with a New Appliance" promotion kit, which hundreds of newspapers across the country will have available, can be obtained through local papers. This is part of a November 9-21 promotion being offered to a multitude of sources—appliance dealers, department stores, and all other appliance outlets, and includes tickler ads, editorial releases, point-of-sale material, etc., all branded with the little smiling house that appears as a symbol on the proffered bank ad as well.

More space is being devoted to financial advertising in U.S. Steel's kit for its annual promotion of kitchen appliances—"Operation Snowflake." The 1959 Operation Snowflake Newspaper Service is a 10-page section of advertising and editorial materials sent to all daily and weekly papers. Bank ads play a prominent part in this kit, in sketches showing layouts of alternative ad arrangements.

U.S. Steel is offering one or both of two display kits to banks at a "nominal cost."

The sixth annual "Operation Snowflake" starts November 16. Across the country 297 banks adver-



Here's Help Fast Financial for Santas with

White Christmas Ideas

Want to lighten your wife's load with a major appliance? Don't ask for the purpose? You'll find the happy solution in one of our

APPLIANCE LOANS

Have you been reading your wife's wish lately... have you discovered that what she wants most of all for Christmas is a work-saving, time-saving major appliance? But have you also been reading your bank book, and discovered that you're short of what it will take in the way of money? Then we've got the answer that will make both of you very happy. We'll promptly arrange a low-cost appliance loan for what you need, an answer that you can readily meet out of income. Take this easy way to make this the merriest Christmas yet!

LOCAL BANK



EASY way to BRIGHTEN her CHRISTMAS

MAJOR APPLIANCE LOAN

EX-29

The ad on the left, 3 columns by 150 lines, is from U. S. Steel's operation Snowflake and obtainable for daily and weekly papers. The ad on the right, 2 columns by 85 lines, is being offered to members through the advertising department of the American Bankers Association

tised appliance loans with "Operation Snowflake" advertisements in 1958; 203 did this in 1957.

Concurrent promotions are also being conducted by the American

Gas Association, The International Association of Electrical Leagues, and the Edison Electrical Institute.

* Write Robert C. Myers, director of Market Development, U. S. Steel, Pittsburgh 30, Pa.

Analyze, Then Advertise, Speakers Tell Illinois Instalment Lending Conference

MANY banks spend roughly one-fifth of their total advertising budgets on consumer credit, according to Guy W. Steagall, public relations department manager at Chicago National Bank.

Mr. Steagall last month told the Illinois Bankers Instalment Lending Conference that advertising budget figures usually "relate to deposits rather than consumer credit outstandings." In order to arrive at a valid advertising budget, build it—analyze what's needed and earned, department by department, service by service, and to this add the "allocation for over-all advertising which is not directly chargeable to a particular department."

Before setting up an instalment credit advertising budget, ask yourself: "What's your present base of customers, and what are your outstandings? Do you want to maintain them at about where they are,

or increase them? Can you get what you want from customers of all departments of the bank, or will it be advisable to advertise to the general public? And, what's your competition for consumer credit business, and how aggressively are they advertising?

A key question, too, is "must this advertising produce results tomorrow, or are we planting seeds for consumer credit business in the months and years to come?"

Underlining (as he did more than once) the importance of spending enough money on advertising, Mr. Steagall observed: "Being in and out (of advertising media) to take advantage of advertising seasonal needs for money is one thing and can be good strategy. . . . Being hot and cold is usually wasteful advertising, however. Many of us are becoming more and more aware of how wasteful it is not to spend

enough on advertising to make it really effective."

YOUR instalment credit advertising could and should be a strong influence on the type of loans you get most called upon to make, J. T. Arenberg, Jr., told the 11th annual Illinois Bankers Association Instalment Lending Conference. And, this audit manager of Arthur Andersen & Co., Chicago accountants pointed out, since the "mix" in your instalment loan portfolio is what determines that department's profitability, don't advertise until you've figured out what proportion of what types of loans will make a profitable portfolio for the bank.

In order to understand the effect of various loan sizes, lengths, and rates on your portfolio, you must first know costs.

Mr. Arenberg's five steps for determining unit cost for loans follows:

- (1) Prepare a statement of income and expense for the instalment loan department for the most recent fiscal year.
- (2) Ascertain the amount of each expense of the department which relates to the acquisition of loans and the amount which relates to the maintenance of loans.
- (3) Compute the acquisition cost per loan by dividing total acquisition expenses by the number of loans made during the most recent fiscal year. Compute the maintenance cost per payment by dividing total maintenance expenses by total payments processed during the most recent fiscal year.

- (4) Compute those costs which vary with the amount of each loan; namely, a loss experience factor and a "cost of funds employed" factor.

- (5) Compute the cost of a loan by adding the acquisition, maintenance, loss and cost of money factors. Total cost can then be related to the total discount charged to arrive at the net income or loss for a particular loan.

Merchants Included In Packaged Charge Plan

HIGHLIGHTING a pre-packaged charge account program for banks, introduced by Dashew Business Machines, Inc., at the A.B.A. convention in Miami is the pre-selling of merchants, and training of bank sales personnel to carry on once the plan is established.

To quote Dashew: "The company's analysis of the logistics of instituting bank credit plans has convinced it that the solicitation of merchants and signing them up is the key to the successful establishment of the plan."

The complete program offered by the firm (which, incidentally, manufactures all the credit cards, imprinting machinery, etc., to go with the plan) includes:

Evaluation of the bank's market;
Help in planning internal systems and procedures, with a view toward optimum use of present bank and merchant personnel;

A team—a "manager" and whatever support he needs—to go and sell the plan and deliver to the bank

• NEWS •

a "full complement" of merchants before the plan starts.

Charge Plan Doing Well, Says Chase Manhattan

ALL has been quiet on the charge account banking front in recent months. The rash of new plans embarked upon early this year has not spread, but reports on how those plans have done are encouraging.

Chase Manhattan's observations after six months of operation, were as follows:

Sales made by New York City retailing merchants through the bank's new charge plan rose 64% during the second quarter of this year compared with the first four months of operations.

Clinton W. Schwer, vice-president in charge of CMCP, said that:

- The number of cardholders increased to 320,000.
- People used their cards more frequently.
- Monthly billings increased, with substantial hikes in gross sales each month.

CMCP statistics were "very encouraging," Mr. Schwer said, on several other counts.

He observed that the bank is very happy with its progress toward the absorption of initial costs, and most satisfied with the increasing degree of return.

Savings

A.B.A. Electronic Progress Report Is Available

MAJOR bank equipment manufacturers in the United States have made substantial progress in developing electronics systems to meet the needs of bank savings and mortgage operations, according to Electronics Progress Report No. 2, which

has just been completed by the Committee on Savings Management and Operations of the American Bankers Association's Savings and Mortgage Division. The report has been mailed to committees of the division and to 2,000 banks interested in savings automation. Requests for copies will be filled as long as the limited supply lasts.

The report is a compilation of in-

formation provided by such companies as The National Cash Register Company, Radio Corporation of America, Remington Rand, The Tele-register Corporation, International Business Machines Corporation, and Burroughs Corporation.

Summarizing the reports of the various companies, it can be seen that manufacturers now have available for use in banks a wide variety

• NEWS •

of components which can be incorporated into "off-line" systems, and some manufacturers have complete "on-line" systems which provide for automatic processing from the teller's window through the bank bookkeeping and recordkeeping departments. Much of this equipment meets the needs of small banks. The systems and the components reported on are adaptable to many bank operations.

Savings Deposits Up

TIME deposits in commercial banks rose to a total of \$65.5-billion at the end of August, which reflected an increase of \$300,000,000 in savings during the month.

Deposits in the 519 mutual savings banks rose to \$34.6-billion, which includes an August increase of \$80,000,000.

Guidance of Savings into Productive Investments

One of the papers that attracted wide attention at the International Conference on Savings and Investments at Brussels, Belgium, was

presented recently on "Guidance of Savings towards Productive Investments." It was prepared jointly by Dr. Kurt F. Flexner, director of mortgage finance of the American Bankers Association; Dr. Hobart C. Carr, chairman of the Department of Banking and Finance, New York University; and Dr. Elmer Harmon, assistant vice-president and economist, The Bowery Savings Bank, New York, who was formerly a member of the A.B.A. staff. The paper was printed and distributed by the International Congress on Savings and Investment, following its presentation.

In their paper the authors gave a coordinated review of sources of savings funds, the market media through which they are invested, and investment uses.

In their paper the authors explored improvement of market media as a means of facilitating the flow of savings into productive investments. Among them were suggestions for the establishment of a system of regional financial institutions which would finance a privately owned and operated secondary market for mortgages through selling bonds to the public and to financial institutions. They also recommended special tax treatment for companies holding investments in Government bonds, of funds earmarked for plant expansions and improvements. The authors observed



How the balloon and balloonist looked over the entrance of the Peoples Savings Bank in Indianapolis

that such a plan to use tax incentives to improve the cyclical timing of plant and equipment, and the pooling of resources of private financial institutions through insurance or guaranteed funds and credit pools should be encouraged.

Vacation Club Promotion

A 4-WEEK promotion of a new Vacation Club plan, conducted by Peoples Savings Bank of Evansville, Ind., proved the effectiveness of coordinating all phases of such a concentrated program.

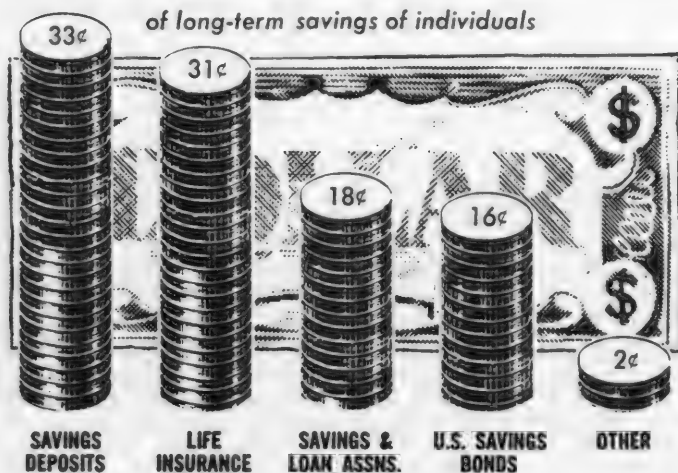
As a tie-in symbol for the Vacation Savings Club promotion, the bank used a mustachioed balloonist in the basket of a balloon, measuring some 12 feet in diameter, covered with red and white muslin. The balloon was suspended from the roof of the bank, and commanded attention of the city's Main Street traffic for many blocks in each direction.

The same balloonist was the featured illustration in a large newspaper advertisement announcing the new Vacation Club and appeared in all follow-up advertisements used for the 4-week promotion. In addition, he appeared on a calendar-blotter promoting Vacation Club memberships which was mailed during the campaign month; on a combination envelope and order form specially developed for the promotion; and in cut-out form on a travel-poster display located in the bank's lobby for the duration of the program.

(CONTINUED ON PAGE 111)

THE LONG-TERM SAVINGS DOLLAR

Its composition in terms of principal forms



Source: Home Loan Bank Board

Prepared by Institute of Life Insurance

Housing and Mortgages

NEWS

A.B.A.'s Regional Mortgage Workshop in New Orleans

OUTSTANDING authorities in the mortgage lending field will be on the program of the American Bankers Association's regional Mortgage Workshop Meeting in New Orleans, November 22-24. The list of speakers includes bankers from all sections of the country, Government officials, a university professor, and an economist representing the life insurance industry.

The New Orleans meeting will be the first in a planned series of three to be held annually in various parts of the United States, according to Dr. Kurt F. Flexner, director of mortgage finance of the American Bankers Association.

The banks of New Orleans will be hosts at the meeting, which will be attended by bankers from Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas. Robert H. Bolton, president of the Rapides Bank and Trust Company, Alexandria, La., will be general chairman.

The meeting, which will be at the Hotel Roosevelt, will begin with a reception on the evening of Sunday, November 22, and conclude at 5:15 on Tuesday, November 24.

The speakers and their topics:

Monday, November 23, 9:30 A.M.

Opening Session

Presiding, Mr. Bolton.

Greetings by the newly elected president of the Savings and Mortgage Division, The American Bankers Association.

"Commercial Banks in a Changing Economy" by Dr. Flexner.

"Is Mortgage Lending Profitable for Banks?" by Cowles Andrus, chairman, Real Estate Mortgage Committee, A.B.A.; senior vice-president, New Jersey Bank & Trust Co., Passaic.

"The Money Outlook and the Mortgage Market" by Dr. James J. O'Leary, director of Economic Research, Life Insurance Association of America.

12:15 P.M.—Luncheon

Forums

2-3:30 P.M.

"The Marketability of Mortgage Loans and the Mechanics of the Mortgage Market"—a panel moderated by Mr. Andrus. Panel members include: Harry P. Bergmann, member, Real Estate Mortgage Committee, A.B.A.; vice-president, The Riggs National Bank, Washington, D. C.; Dr. Hobart C. Carr, chairman, Banking and Finance Department, School of Commerce, Accounts, and Finance, New York University, New York, N. Y.

Also, Joseph R. Jones, member, Real Estate Mortgage Committee, A.B.A.; vice-president, Security-First National Bank, Los Angeles; and D. C. Sutherland, vice-president, Bank of America, San Francisco.

3:45-5:15 P.M.

"The Federal Government in the Field of Housing and Mortgage Finance—How It Affects Your Bank"—a panel moderated by Walter S. Rosenberry, Jr., Deputy Administrator, Housing and Home Finance Agency, Washington, D. C. Panel members include: Philip N. Brownstein, director, Loan Guaranty Service, Veterans Administration, Washington; Harry M. Gilbert, assistant to the president, Federal National Mortgage Association, Washington.

Also, Joseph B. Graves, executive secretary, Voluntary Home Mortgage Credit Program, Washington; and Graham T. Northup, director of programs, Federal Housing Administration, Washington.

6 P.M.

Reception and dinner.

Seminars

Tuesday, November 24

9:15-10:45—Mortgage Seminar No. 1

"Building Up the Mortgage Portfolio."

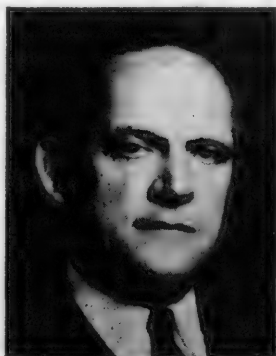
11-12:30—Mortgage Seminar No. 2

"The Income and Cost Side of Handling Mortgages."

Luncheon

12:30 P.M.

Cowles Andrus



Joseph R. Jones



James J. O'Leary



Hobart C. Carr



NEWS

Afternoon Sessions

2-3:30 P.M.—Mortgage Seminar No.

8

"Interim Mortgage Credit."

3:45-5:15—Mortgage Seminar No.

4

"Mortgage Servicing—(1) Collection and Servicing; (2) Automation."

Seminar Discussion Leaders

In addition to Messrs. Andrus, Bergmann, Carr, Jones, and Sutherland, above mentioned, seminar discussion leaders will include these and other banking leaders: Willis R. Bryant, formerly vice-president, American Trust Company, San Francisco; Frank C. Guthrie, senior vice-president, First City National Bank, Houston; Henry H. Haizlip, Jr., member, Real Estate Mortgage Committee, A.B.A.; vice-president, First National Bank, Memphis; Paul Huck, vice-president, First National Bank, Birmingham; Dewey Jernigan, vice-president, Liberty National Bank & Trust Co., Oklahoma City; Dr. Lawrence E. Kreider, assistant secretary, Agricultural Commission, A.B.A.; Gardner Lile, Jr., senior vice-president, Worthen Bank & Trust Co., Little Rock, Ark.; J. W.

McCarter, vice-president, First National Bank & Trust Co., Tulsa; S. Carlyle McDowell, member, Real Estate Mortgage Committee, A.B.A.; vice-president, Wachovia Bank & Trust Co., Winston-Salem, N. C.; Eads Poitevent, president, National American Bank, New Orleans; and A. G. Wallace, assistant vice-president, First National Bank of Dallas.

1960 Construction Costs

U. S. CONSTRUCTION expenditures will reach a record total of more than \$55-billion in 1960, Architectural Forum predicted recently.

"Although this may be only 1.5% above 1959," *Forum* reported in its annual building forecast, "it is more impressive than it looks, for 1959 will be an exceptionally big year for building."

Construction expenditures this year will probably reach \$54.9-billion—a jump of 11.8% above 1958, three-and-one-half times the average increase of the past few years and more than twice the most optimistic predictions. The *Forum* states that 1960 will be the sixteenth year in a row in which building activity has expanded.

The leveling off of total construction next year, *Forum* said, will result mainly from the same factors which swelled the 1959 volume—but in reverse. A decline in house building during 1960 seems "inevitable," and highway construction will do well to hold its own. There will be off-setting gains in the construction of all nonresidential buildings.

Private construction is expected to gain more in 1960 than publicly financed construction, reversing a recent trend. This trend saw public construction increase eightfold from 1946 to a projected \$16.4-billion in 1960, private construction only fourfold to \$39.3-billion. Next year public construction will be up only ½%, private almost 2%.

September Starts

NEW nonfarm housing starts in September totaled 129,000 compared with 121,000 for September, 1958. The seasonally adjusted annual rate of private starts is 1,340,000, based upon the 124,800 total private starts in September. These estimates are supplied by the Bureau of the Census.

Certified Agency Program Employment Data Sheets

DATA sheets detailing qualifying requirements for employment as inspectors and appraisers under the Certified Agency Program of the Federal Housing Administration are available upon request to Graham T. Northup, director of Program Division, FHA., Washington 25, D. C.

The data sheets include a description of the work and experience and training necessary to qualify for each type of work.

We all wish for things we don't have, but what else is there to wish for?

CALENDAR, 1959-1960

NOVEMBER	DECEMBER	1960 JANUARY 1960	FEBRUARY	MARCH	APRIL
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American Bankers Association

Nov. 5-6 28th Mid-Continent Trust Conference, Statler Hotel, Detroit, Mich.
Nov. 9-10 8th Annual National Agricultural Credit Conference, Netherland-Hilton Hotel, Cincinnati, Ohio
Nov. 22-24 Mortgage Department Workshop Meeting, Roosevelt Hotel, New Orleans, La.

1960

Jan. 21-22 National Credit Conference, LaSalle Hotel, Chicago
Feb. 8-10 Mid-Winter Trust Conference, Waldorf-Astoria Hotel, New York
Mar. 7-9 57th Annual Savings and Mortgage Conference, Hotel Roosevelt, New York
Mar. 21-23 Instalment Credit Conference, Conrad Hilton Hotel, Chicago

May 30- American Institute of Banking, Statler
June 3 Hilton Hotel, Boston
June 13-24 The Stonier Graduate School of Bank-
ing, Rutgers—The State University,
New Brunswick, N. J.

State Associations

Oct. 25- N. Y. Resident Bankers Institute for
Nov. 6 Executive Development, U. S. Hotel
Thayer, West Point
Nov. 1- 4 Iowa, Fort Des Moines Hotel, Des
Moines
Nov. 12-14 Arizona, Biltmore Hotel, Phoenix
Dec. 1- 2 Pennsylvania Fall Meeting, Penn-Shera-
ton Hotel, Pittsburgh
Dec. 3- 5 Southern Secretaries Conference, Grand
Hotel, Point Clear, Ala.
Dec. 9-11 Eastern Secretaries Conference, Wal-
dorf-Astoria, New York
1960
Mar. 24-26 Florida, Robert Breyer Hotel, Jackson-
ville
Apr. 22-29 Georgia, Cruise aboard S. S. Bergens-
fjord
Apr. 24-26 Louisiana, Hotel Roosevelt, New Or-
leans
Apr. 30- Alabama, Cruise aboard S. S. Bergens-
May 7 fjord
May 1- 6 South Carolina, Cruise to Nassau
May 5- 6 Oklahoma, Skirvin Hotel, Oklahoma City
May 6- 7 North Dakota, Dacotah Hotel, Grand
Forks
May 8-10 Missouri, Sheraton-Jefferson Hotel, St.
Louis
May 8-10 North Carolina, The Carolina Hotel,
Pinehurst
May 11-12 Ohio, Sheraton-Gibson Hotel, Cincinnati
May 12 Delaware, Du Pont Hotel, Wilmington
May 12-14 Kansas, Topeka
May 15-17 Texas, Texas Hotel, Fort Worth
May 15-18 Pennsylvania, Bellevue-Stratford Hotel,
Philadelphia
May 16-18 Mississippi, Buena Vista Hotel, Biloxi
May 18-19 Indiana, French Lick-Sheraton Hotel,
French Lick
May 18-20 New Jersey, Chalfonte - Haddon Hall,
Atlantic City
May 19-20 Massachusetts, New Ocean House,
Swampscott
May 19-21 Utah, Royal Nevada Hotel, Las Vegas,
Nev.
May 20-21 New Mexico, Western Skies Hotel, Al-
buquerque
May 20-24 Maryland, Shoreham Hotel, Washington,
D. C.
May 22-24 California, Ambassador Hotel, Los An-
geles
May 23-24 Illinois, Palmer House, Chicago
May 23-25 Arkansas, Arlington Hotel, Hot Springs
June 3- 4 Connecticut, Equinox House, Manchester,
Vt.
June 7- 8 Minnesota, Leamington Hotel, Minne-
apolis

June 8-12 Dist. of C., The Homestead, Hot Springs,
Va.
June 12-14 Idaho, The Lodge, Sun Valley
June 15-17 New York, Lake Placid Club, Lake
Placid
June 16-18 Michigan, Grand Hotel, Mackinac Island
June 16-18 Montana, Canyon Village Hotel, Yellow-
stone National Park
June 16-18 Virginia, The Homestead, Hot Springs
June 16-18 Wyoming, Jackson Lake Lodge, Moran
June 17-18 *New Hampshire, Wentworth - by - the -
Sea, Portsmouth
June 17-18 *New Hampshire Mutual Savings, Went-
worth-by-the-Sea, Portsmouth
June 19-21 Washington, Davenport Hotel, Spokane
June 20-22 Wisconsin, Schroeder Hotel, Milwaukee
June 23-25 Colorado, Hilton Hotel, Denver
June 23-25 Vermont, Equinox House, Manchester
June 24-25 New Jersey Mutual Savings, Monmouth
Hotel, Spring Lake
July 14-17 West Virginia, The Greenbrier, White
Sulphur Springs
Sept. 8-10 Maine Savings Banks, Poland Spring
House, Poland Spring
Oct. 14-15 New Hampshire Fall Meeting, Mountain
View House, Whitefield
Oct. 17-18 Connecticut Mutual Savings, Mountain
View House, Whitefield, N. H.
Oct. 23-26 Iowa, Fort Des Moines Hotel, Des
Moines
Nov. 10-12 Arizona, Biltmore Hotel, Phoenix
* Joint Meeting

Other Organizations

Nov. 1- 5 Financial Public Relations Association,
Americana Hotel, Bal Harbour, Fla.
Nov. 4- 6 P.R.S.A. 12th National Conference, Ho-
tel Fontainebleau, Miami Beach
Nov. 8-13 Graduate School of Business, Commer-
cial Bank Management program, Co-
lumbia Univ., New York
Nov. 16-18 National Foreign Trade, Waldorf-A-
storia, New York
Nov. 17-19 Building Research Institute Fall Con-
ference, Washington, D. C.
1960
Apr. 4- 6 NABAC Eastern Regional Bellevue-
Stratford Hotel, Philadelphia
Apr. 24-27 NABAC Northern Regional, Schroeder
Hotel, Milwaukee
May 16-18 NABAC Southern Regional, Chase-Park
Plaza Hotel, St. Louis
May 22-26 Independent Bankers Association, Hilton
Hotel, Denver, Colo.
June 6- 8 NABAC Western Regional, Hotel Utah,
Salt Lake City
Oct. 10-12 NABAC 36th Annual Convention, Hotel
Statler, Los Angeles
Oct. 10-13 National Association of Bank Women,
Annual Convention, Huntington-Sher-
aton Hotel, Pasadena, Calif.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

MAY						
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How Can We Do Our Jobs Better?

Women Bank Executives Exchange Ideas on Job Performance Improvement at 37th Annual Convention

MARY B. LEACH

IF one were to put into one sentence the keynote of the 37th annual convention of the National Association of Bank Women in Milwaukee, Wis., it would be: "How can we do our jobs better so that our banks can give better service to our customers and our communities?" From beginning to end, speaker after speaker explained methods and procedures designed to accomplish this aim and found effective when tested in actual practice.

The 460 women bank executives were treated to a steady diet of good food—factual, educational, intellectual, nutritional, and recreational. YES, need you ask? We had grandstand seats to see the Phillies shellack the Braves. General Chairman Marie B. Loeber, cashier, Wisconsin State Bank, Milwaukee, and Program Chairman Catherine B. Cleary, vice-president, First Wisconsin Trust Company, Milwaukee, and their able assistants thought of everything—and served it family style.

Charlotte A. Engel, trust officer of the National Savings and Trust Company, Washington, D. C., the 1958-59 president of NABW, commended all who had assisted her during her term of office. She pointed to the increasing recognition of women by top management of banks, which has resulted in the up-grading of a large number of the 10,500 women officers serving the nation's banks.

Irene Bere Wins Reid Award

Among the highlights of the convention was a luncheon in honor of Irene Bere, secretary to D. J. DeFrates, president of the Merchants National Bank of Aurora, Ill., who received the association's 1959 Jean Arnot Reid Award, consisting of a scroll and a \$250 cash bestowal. Miss Bere was selected from among



President Engel, left, displays Jean Arnot Reid Award scroll presented to Miss Bere. Mr. DeFrates, at right, and Mrs. Womach in background

11 young women candidates who had earned the 10 highest scholarship grades of all women who received the Standard Certificate of the American Institute of Banking this past year. She was the unanimous choice of the Founders' Tribute Committee headed by Emily H. Womach, assistant cashier and secretary, The Sussex Trust Company, Laurel, Del.

Top Officers Elected

Helen L. Rhinehart, vice-president and secretary of the Brenton Companies, Des Moines, Iowa, was elected president of NABW to succeed Miss Engel, and Marion Anderson, assistant cashier, Bank of America N.T.&S.A. San Francisco, was elected vice-president. Other new officers elected include: recording secretary, Marie Hulderson, assistant cashier, Central National Bank and Trust Company, Des Moines; corresponding secretary,

Alice Akes, assistant vice-president, Decatur County State Bank, Leon, Iowa; and treasurer, Ann Beno, assistant cashier, Pullman Trust and Savings Bank, Chicago, Ill.

Pills, Pinkham, and Poison

Perhaps the speaker who drew the most laughs with a serious subject was Robert J. Samp, M.D., assistant professor of the Department of Surgery, University of Wisconsin, Madison, whose topic was "Pills, Pinkham, and Poison." While pointing to the dangers arising from the indiscriminate use of tranquilizers, vitamin pills, sedatives, aspirins, antiseptics and the 1001 other so-called medicines being sold today by newspaper, magazine, billboard, radio, and TV advertising, Dr. Samp declared "We are a brainwashed America in medicine. And my feeble little voice is trying to compete with a \$5-billion industry where they are so eager to give you signs and symp-

toms and make up for you all sorts of fancy anemias commensurate with your age . . . things that are normal are now considered to be abnormal." Dr. Samp said that he respects "the power of advertising but I do not like the brainwashing that goes with it."

Financial Columnist Merryle Stanley Rukeyser spoke on "What's Ahead for the U.S.A.?" at the annual banquet. "With industry more research-minded than ever before" said Mr. Rukeyser, "it is a cultural lag to associate business and banking with 'standpatism.' Top management has been upgrading creative innovators in the laboratories who are forever in quest of better methods and more satisfying products. At the other end of the spectrum, the soap boxer, who persists in mouthing the Marxian fallacies after 100 years, is the present-day reactionary. To build him up as a radical is to indulge in false labeling."

Presidential Platform

In her inaugural address, Miss Rhinehart outlined six planks in her presidential platform, the first two having reference to the opportunities for women bankers as individuals and the last four referring to the achievements of the National Association of Bank Women. Here they are: (1) To attract competent women into the banking field; (2) to encourage women to equip themselves to occupy positions of executive responsibility with distinction; (3) to provide programs for groups, regional, and national meetings with content that will improve knowledge; (4) to produce our magazine, *The Woman Banker*, so that it stands as a publication with general banking appeal; (5) to offer the Jean Arnot Reid Award so that young women may be encouraged to improve their banking capabilities; and (6) to uphold high standards of executive excellence for admission to membership in the National Association of Bank Women.

Other convention speakers directed their remarks more specifically to management and operating aspects of banking. During a program focused upon "Job Performance Evaluation," J. E. Patrick, executive vice-president of the Valley National Bank, Phoenix, spoke on "The Price Tag of Executive Leadership"; Dr. V. Ernestine Moore, personnel direc-

tor, Wilmington (Del.) Trust Company, on "It's the Style" — letter-writing; and Mildred Muller, assistant cashier, First National Bank of Memphis, Tenn., on "It's a Woman's World."

Price Tag of Executive Leadership

While defining the meaning of his subject, Mr. Patrick pointed out that "most individuals do not realize that leadership at all levels calls for certain basic attributes in the individual. The individual must be a person who, first, is willing to work; second, has a genuine interest in people — not what they are, but why they are the way they are; they must have established basic beliefs; must have a basic honesty; must have developed a personal discipline; must have genuine study habits; must be willing to arrive at decisions; must have the courage to put them into action." He added: "Simply put, they must not be afraid to be wrong and, above all, they must understand that any spot of leadership carries with it a grant of power; that this power is a jealous mistress, and that it must be used sparingly and wisely.

"Over the years, I have observed that the real leader seldom, if ever, has to use this power vested in him, but primarily the people they direct follow him because they *want* to play on his team."

Dr. Moore: "There are two aspects of letter-writing which must be taken into account when deciding whether one's letters are up-to-date:

NABW's 1959-60 officers: *Front row*, Miss Rhinehart (president) and Mrs. Beno (treasurer). *Back row*, Miss Akes (corresponding secretary), Mrs. Anderton (vice-president), and Miss Hulderson (recording secretary)



mechanics and style of composition.

"Mechanics can be checked with the latest edition of a text or handbook by a recognized authority in the field of typing or of secretarial studies.

"Composition should measure up favorably to the following three S's: Shortness (of words, sentences, paragraphs, and the letter itself); Strength (through clarity, the "you" approach, conversational tone, and friendliness); Sincerity."

Selling Service to Women

Mrs. Muller is in charge of First National's program of selling its service to women. Her talk included these ideas on how to develop such a program:

"Banking needs woman's innate ability to sell and her perseverance for getting the job done. If you have not instituted a woman's call program, give it a try. Review your customers as well as your prospects, and line up the names of those who should have attention. How about periodic luncheons that bring together groups of mutual interests, such as widows whose only contact is through the Trust Department; stockholders whose account perhaps is with your competitor; retired teachers; and new brides. Call on and cultivate the newcomers to your city. Introduce them to schools, churches, shops, neighbors. Arrange for membership in garden clubs, bridge clubs, car pools, country clubs. Work closely with your real

estate customers in behalf of the newcomers. They are a wonderful source of tips for you.

"Study the woman's page of your newspapers. Send clippings to brides, proud mothers. Write notes of congratulations and sympathy. Call to see the new baby, and where it is feasible, drop by the hospital for a cheery hello. Stop at the home at the time of bereavement. Attend the functions that revolve around women—book reviews, teas, fashion shows, church bazaars, business openings. The wives of your associ-

ate officers will be glad to work with you and oftentimes can arrange an entree that might otherwise be difficult. Encourage the men in your bank to keep you posted as to names of new customers or prospects whose wives you might want to know and cultivate. Luncheons for the wives of executives of new industry moving to town are not only excellent public relations for the bank but for your city. Work closely with your tellers. They are a wonderful source of information regarding women you should know better.

"Business is a sensitive thing. It goes where it is wanted. It stays where it is cared for, and it grows where it is cultivated."

Sales Mindedness Important

Marion King, assistant cashier, Bishop National Bank of Hawaii, was one of the speakers on a "Program for Women." Her topic was "To Have and to Hold — The Woman."

"It is important," she said, "that we be sales-minded, continually studying and analyzing woman's thinking in order to keep up to date . . . knowing what women want . . . seeing through their eyes . . . knowing their spending and savings habits, which are unique to these times . . . keeping our communications to them in their language, for we know that they have a special vocabulary. We need to build—(just as product manufacturers do) in the minds of women, a "brand image" for our services and our banks, for we know, too, that women buy those products and services whose picture over the years spells — confidence, quality, and progressiveness. We also know that women judge products much as they do the people they know— young or old, warm or cold, good or bad, sad or glad."

Future of Banking Education

Ralph H. Mittendorff, vice-president, American Security and Trust Company, Washington, D. C., and president, American Institute of Banking, the guest speaker at the Jean Arnot Reid Award luncheon, spoke on "The Future of Banking Education." In part, Mr. Mittendorff stated:

"In the future, I am sure that there will be a broad endeavor to educate bank management as to what the training needs of their employees are and to impress upon them the importance of developing their own in-banking training and management development programs, and of supplementing them by making use of outside programs such as offered by A.I.B. and other banking educational mediums. The Council of Banking Education of the American Bankers Association recognized this need to improve our educational program, and they are equally aware that such improvement will be of little use unless banks are encouraged and stimulated to take full advantage of these programs as part



CITY NATIONAL...

Kansas City fashions are the vogue today. Every seventh woman in the United States now wears them! In fact, all manufacturing is growing rapidly here. A recent survey disclosed that nearly 2,000 metropolitan area factories employ some 103,000 persons. This represents an increase of over 100% in less than 20 years! Certainly, manufacture is attaining gigantic stature in Kansas City.

Banking activity here has increased even faster than this rapid industrial rise. In % of interbank deposits to total deposits, we now rank among the nation's first 5 cities, and other banks are finding representation here truly invaluable. Perhaps that's why City National—the bank that *works so hard* to excel in every correspondent service—now serves over 1,000 correspondent banks throughout the world.

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Ten of NABW's 12 regional vice-presidents: Front row, left to right, Mrs. Stanford, Miss Chadwick, Mrs. Wilkinson, and Mrs. Wolden. Back row, Miss Stinson, Mrs. Wahl, Miss Quinham, Mrs. Park, Mrs. Hafstad, and Mrs. Vortman

of a well-conceived program of manpower development in the bank.

"Today the A.I.B. is preparing for the future through a never-ending study of the needs of bankers for training their employees. . . . The A.I.B. and other educational media of banking in our country today are gearing themselves to handle the needs of between 150,000 and 200,000 newcomers in banking each year. They are setting their programs so that junior officers of today will be properly trained for senior management of tomorrow."

For space reasons, BANKING is unable to include excerpts from all of the splendid talks given at the NABW's convention; however, brief excerpts from some additional talks may be found in other departments of this issue of the magazine, including Ideas at Work, News for Country Bankers, and Savings.

Regional Vice-Presidents

Twelve regional vice-presidents were elected by the NABW to serve during the ensuing year, as follows:

LAKE DIVISION: Erma Smith Wahl, manager, Personal Services Division, Personnel Department, Manufacturers National Bank, Detroit.

MIDDLE ATLANTIC DIVISION: Mary L. Chadwick, assistant trust officer, The Riggs National Bank, Washington, D. C.

MID-WEST DIVISION: Marie C. Wolden, cashier, Farmers State Bank, Wallace, Nebr.

NEW ENGLAND DIVISION: Elizabeth M. Quinham, assistant secretary, Rhode Island Hospital Trust Company, Providence.

NORTH ATLANTIC DIVISION: Ruth R. Roy, assistant secretary, Security Trust Company, Rochester, N. Y.

NORTH CENTRAL DIVISION: Evelyn Wilkinson, assistant cashier, Farmers and Merchants Bank, Menomonee Falls, Wis.

NORTHWESTERN DIVISION: Lucille Hafstad, pro-manager, Oaksdale (Wash.) Branch, Seattle-First National Bank.

ROCKY MOUNTAIN DIVISION: Betty Vortman, assistant vice-president, Albuquerque (N. Mex.) National Bank.

SOUTHEASTERN DIVISION: Essie Mae Cail, assistant cashier, The Florida National Bank and Trust Company, Miami.

SOUTHERN DIVISION: Vivien Stanford, vice-president, Bank for Savings and Trusts, Birmingham, Alabama.

SOUTHWESTERN DIVISION: Sue W. Park, vice-president and cashier, Bank of Cabot, Ark.

WESTERN DIVISION: Bess B. Stinson, assistant cashier and special services director, First National Bank of Arizona, Phoenix.

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Savings

(CONTINUED FROM PAGE 102)

Radio spot announcements were carried on a staggered basis on each of the city's four radio stations during the month-long effort. Also, a full-page insert was included in a syndicated magazine, mailed bi-monthly to approximately 3,000 selected customers and prospects for the bank's services, featuring the new interest-paying Vacation Club. All advertising included an offer of free balloons for children. These bore a Vacation Club sales message.

The officers of Peoples Savings report a heavy increase in daily traffic throughout the 4-week promotion, a considerable percentage of which represented first-time visitors to the bank. Equally satisfactory, was the number of both new Vacation Club and passbook savings accounts which were opened.

Payroll Savings Praised

"THE plan that has made savings possible for unnumbered workers is the payroll savings plan," said Christine C. Zink, assistant secretary of the Buffalo (N.Y.) Savings Bank during a savings panel at the National Association of Bank Women's convention in Milwaukee.

"In the Buffalo Savings Bank," she said, "the plan was started 30 years ago. At the present time we have some 33,000 payroll savers with over \$20,000,000 on deposit. The cooperation of industry must, of course, be enlisted for this plan. Over and over again, from people who always wanted a savings account, from people who never thought they could save, come thanks for the payroll savings plan through which the bank not only encourages thrift but shows how savings are possible."

Miss Zink explained the school savings plan operated cooperatively by the three savings banks of Buffalo. "In public, parochial, and high schools," she said, "children are learning that if they want something, they can get it if they save for it. They are learning the value of regular saving to reach an objective."

Investments of Mutuals

OVER 62% of the total assets

(\$24-billion) of mutual savings banks are in mortgage loans, 20% in U. S. Government securities, and about 15% in state, municipal, and corporate securities, said Louise Seely, assistant treasurer of the Charlestown (Boston, Mass.) Savings Bank, at the Milwaukee convention of the National Association of Bank Women.

"I am proud to say that my own bank," Miss Seely said, "has over \$10,000,000 of its approximately \$85,000,000 mortgage portfolio in out-of-state loans in such states as

Florida, Georgia, Texas, North Carolina, Tennessee, Oklahoma, and California. In California, where there are no savings banks, savings banks in other parts of the country have financed over \$1-billion worth of homes. In New York, a savings bank state, over one-quarter of the population lives in homes or apartments financed by savings banks.

"Mutual savings banks have also contributed to the capital expansion of this country's economy through their investments in long-term securities..."

Daily Sentinel

SOCIAL SECURITY TAXES INCREASE JAN. 1, 1960!

Figure NEW Payroll Deductions with Famous DELBRIDGE Social Security and Withholding Tax Charts!

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NUMBER OF EXEMPTIONS

FIC		NUMBER OF EXEMPTIONS										
1	2	0	1	2	3	4	5	6	7	8	9	10
11-14	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
15-18	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
19-22	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
23-26	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
27-30	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
31-34	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
35-38	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
39-42	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
43-46	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
47-50	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
51-54	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
55-58	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
59-62	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
63-66	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
67-70	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
71-74	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
75-78	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
79-82	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
83-86	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
87-90	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
91-94	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
95-98	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00
99-100	0-12	12.00	10.50	9.00	7.50	6.00	4.50	3.00	1.50	.00	.00	.00

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PRESIDENT REMINGTON

(CONTINUED FROM PAGE 48)

chaser as cook. There he worked under Ensign Walter (Jack) Forsyth on a ship that Forsyth's father had turned over to the Navy. For eight months he cooked for a crew of 14 men, then was sent to school for officer training and returned, an

ensign, to command the ship on which he had served as cook.

"Four months later, he was assigned to the fleet and served as assistant navigation officer until the end of the war on the *USS Vermont*. He left the service as lieutenant (j.g.)."

It may be appropriate here to

mention another of John Remington's overlapping careers. It was recalled in the Rochester press on the occasion of the Lincoln Rochester president's 25th anniversary with the bank, when the employees' association presented him with a new baseball mitt.

The *Times-Union* pointed out that the banker "won no little fame as a baseball player when he was a conductor on the old Rochester & Manitou Railway during the summer months," and that he "still likes to play baseball although he admits his bones are starting to creak.

"In the luggage compartment of his car he carries an assortment of baseball mitts, bats, and balls, in addition to his golf clubs—ready for a game at any time."

His old team still keeps center field open for him on certain occasions when he returns and plays.

Assistant U. S. Attorney

After he obtained his A.B. degree from the University of Rochester in 1917, Mr. Remington entered Harvard Law School, graduating *cum laude* in 1921 with an LL.B. degree. He was admitted to the bar that same year and began the private practice of law in his native city, in association with his father, brother, and the present Senator from New York, Mr. Keating.

For 14 months in 1924 and 1925 the young lawyer served as assistant United States attorney for the Western District of New York, having been appointed by U. S. Attorney William J. ("Wild Bill") Donovan. Mr. Remington's offices were in Rochester and his duties were largely concerned with the prosecution of narcotic and liquor violations.

First S.G.S.B. Class

Further evidence of Mr. Remington's foresightedness—his belief in looking ahead—was his enrolment in the first class at The Stonier Graduate School of Banking, conducted by the American Bankers

(CONTINUED ON PAGE 115)

AT LEFT: The Remingtons with eight of their 11 grandchildren. Left to right, rear: John Andrew King IV, Michael A. King, Douglas B. Remington, John Warner Remington II with Mr. Remington, Cynthia A. King with Mrs. Remington, and Brian T. Remington; on lower steps: Deborah D. King and Gordon L. Remington



LEFT: Mr. and Mrs. Remington at the doorway of their home



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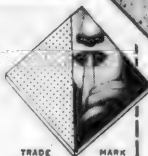
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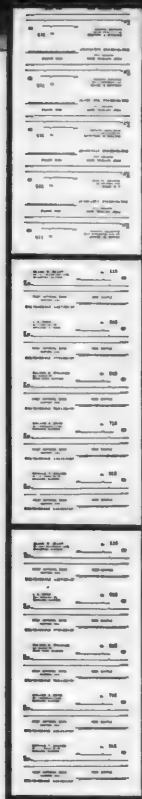
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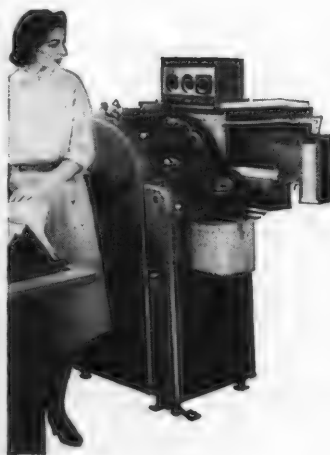
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Association at Rutgers—the State University of New Jersey, New Brunswick. This was the Class of 1937, one of the most distinguished groups of banker-students ever to attend the S.G.S.B.

Mr. Remington's thesis, written as one of the requirements for graduation, was entitled *Trust Business in the Future—Its Association with Banking*. It was subsequently published in book form by the Research Council of the American Bankers Association, and designated second of four books of a "trust research series."

This thesis dealt with the question of dissociation of banking and trust business, which, the author's introduction points out, "has been observed keenly and discussed frequently since 1933. In the past year (1936) it has aroused renewed attention."

Future of Trust Business

In his conclusion, Mr. Remington wrote: "The ultimate conclusion to which this study brings one is that trust service should be permitted to continue its development in the most

natural way, but supervised by state and Federal agencies which have an independent outlook and have the advantage of seeing large and small trust departments function under varying circumstances.

"Trust banking and commercial banking are related. They supplement and complement each other. Almost daily there arise instances in which people who have been doing trust business with a bank now desire to open checking or savings accounts. And a man who has dealt satisfactorily with a bank for 30 years by using loan and checking facilities has developed a feeling of confidence that he may leave his affairs after death to the management of men who have demonstrated ability and integrity.

"The present system is not perfect, but it is performing a great service with little criticism from beneficiaries of trusts and customers of trust institutions. It can be expected that the few problems of conflict of interest can be solved by rigid adherence to sound fiduciary methods. When dissociation comes naturally and in a manner that is economically sound, it will work out satisfactorily. And until that time comes—and it may never come in some communities—these two great services of a quasi-public nature will continue to be associated in the interest of young and old, regardless of whether they be people of large or of small means."

Twenty years later, at the graduation ceremonies for the Class of 1957, Mr. Remington delivered the commencement address. His subject was "The Scope of Your Chal-



Center-fielder Remington

lenge." In part he said: "The board of directors of your bank or organization are banking on you to return home and apply your experience and added knowledge to accomplish something beyond your regular work. They are banking on you for participation in community service. What is meant by the word SERVICE? There is one excellent definition, 'Service is work performed voluntarily for the benefit of another.' The door is open for you to serve people inside and outside of your organization. In this way you can realize your full capacity as a hu-

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man being and can do your part in creating a better community.

"Make a resolution that you will extend yourself 'beyond the call of duty.' Use all you have received at this Graduate School in developing those around you and yourself for the assumption of leadership and responsibility in the community in which you reside."

In recognition of Mr. Remington's own contributions to his community, he had been honored, two years before, with the Ayres Leadership Award, which was established by the S.G.S.B. to be conferred at appropriate times upon a student or former student of the school who, in the judgment of the faculty, makes an outstanding contribution to banking and the national welfare of the type exemplified by Gen. Leonard Ayres as student, banker, and citizen.

One case that is usually included in any description of this banker's long career as a trust officer is the Case of the Klamath Tribe. It appeared, early in 1957, that each member of this Northwest tribe would receive a small fortune of some \$25,000 or more from the sale of timber and land which the tribe owned in Oregon.

Mr. Remington was one of three eastern bankers who went to Portland, Oreg., to cite the advantages of setting up trust funds, so that this windfall would not be wasted by the recipients.

The U. S. Department of the Interior, which had called Mr. Remington in as a consultant, was endeavoring to end the Government trusteeship of the Indians and get them to stand on their own feet in financial matters.

Professional Activities

Throughout his banking and law careers, John Remington has been active in professional organizations.

In the American Bankers Association, he has served as a member or chairman of several Trust Division committees. He was on the division's executive committee for two 3-year terms and was chairman of the committee for one year. He became vice-president of the Trust Division in 1948 and president the following year. From 1953 to 1958 he was a member of the Economic Policy Commission. He was elected vice-president of the Association at the 84th annual convention in Chi-

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(CONTINUED FROM PAGE 116)
cago, Illinois, on September 23, 1958.

He has been active in the New York State Bankers Association and served a term as president of the Trust Companies Association of New York.

He is now in his second 3-year term as a director of the Buffalo branch of the Federal Reserve Bank of New York.

In 1955 Governor Harriman of New York appointed the Rochester banker a director and chairman of a regional committee of the New

York Development Corp., organized to develop industrial production in the state through private enterprise.

Mr. Remington is a member of the Rochester, New York State, and American Bar associations.

This former conductor is also president of a railroad—the Rochester & Genesee Valley. This is an unusual railroad in that it has no rolling stock and only three white collar employees. However, as pointed out by a Rochester *Democrat and Chronicle* reporter at the time of Mr. Remington's election to a director-

ship, it is one of the few railroads in the country without indebtedness. It has paid dividends ever since its operations began in 1851, and there is every indication it will continue to pay dividends until its 200-year franchise expires in 2051. It was leased to the Erie in 1871, with a guaranteed return on its capitalization.

Mr. Remington is a director of the Automobile Club of Rochester, Inc.; Alling & Cory Company; Curtice Brothers Company; Haloid Xerox, Inc.; Stecher-Traung Lithograph Company; and Superba Cravats, Inc.

He is a trustee of the Rochester Chamber of Commerce and the Rochester Bureau of Municipal Research, Inc. He is a director of the Rochester Chapter of the American Red Cross; the Society for Prevention of Cruelty to Children; Genesee Valley Medical Care, Inc. (Blue Shield); the Gannett Newspaper Foundation; and Rochester Community Chest. He is a past president of the Alumni Association of the University of Rochester.

According to his bank's public relations department, Mr. Remington's hobbies, besides baseball, are golf, hunting, and bridge. With golf he combines mushroom collecting, picking up specimens as he plays.

At the end of an article on the new A.B.A. president, the *Gannetteer*, house organ of the Gannett newspaper and radio enterprises, says: "What kind of man is John W. Remington? Reporters say he's cooperative without being effusive; pleasantly agreeable without being pushy; down-to-earth without being buddy-buddy. In dress, he is said to appear more like an alumnus of the University of Rochester (which he is) than of the Harvard Law School (which also he is). He was, incidentally, national president of his college fraternity, Alpha Delta Phi, in 1954-55. He is a past president of the Alumni Association of the University of Rochester and is a member of the American Legion and the Veterans of Foreign Wars."

Mr. and Mrs. Remington—who was Margaret Alcock of Baltimore—have three children and 11 grandchildren. The former are two daughters, Edith and Martha, and one son, John. All are married.

Eight of the grandchildren are shown with Mr. and Mrs. Remington in the picture on page 112. The youngest in the picture is none other than John Warner Remington II.



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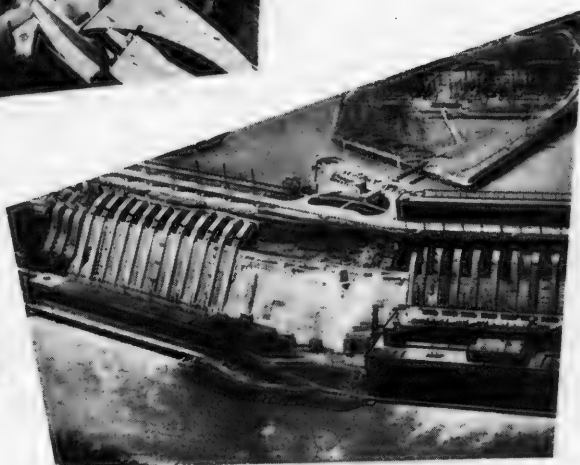
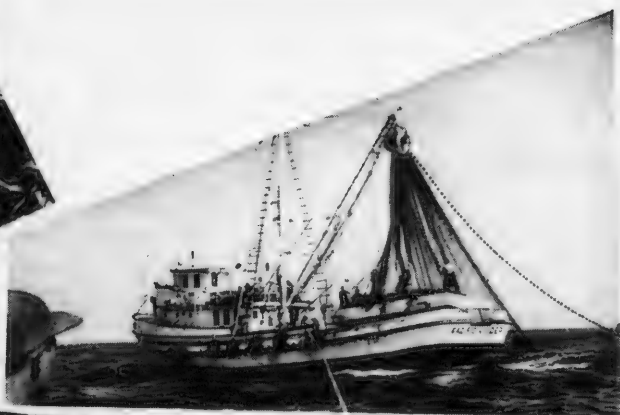
maturity, but it also shows yields if the balance is paid off in 8, 10, or 12 years (as it well may be).

Discount prices are shown down to 90, terms way up to 50 years. It's 216 pages of useful tables, and all for the trifling sum of \$2. Publication No. 35 identifies it.

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Inflation

(CONTINUED FROM PAGE 50)

boom-and-bust. Are these separate dangers or are they related?

THEY ARE DIFFERENT, but they are also closely related. Inflation is a matter of concern partly because it could result in further erosion of the buying power of our dollars over the years. At the same time, rising prices might aggravate an inflationary boom and bring on a depression.

This threat of continuing inflation—or “creeping” inflation, as some people call it—is a new kind of problem for us. In the past, periods of rising prices have always been followed by periods of falling prices. Today, however, our economy strongly resists price declines.

So, if prices were to rise from time to time but never decline, then the trend over a period of years would obviously be upward. Such a trend, of course, even if it were to remain gradual, would have many serious consequences. Moreover, we cannot rule out the possibility that a trend of this kind might accelerate and lead to disastrous inflation.

The danger of boom-and-bust, on the other hand, is the age-old problem of the business cycle. Throughout our history, periods of optimism and prosperity have always been followed by periods of recession or depression. For a number of reasons, our economy has now become less vulnerable to wide swings in employment and production than it used to be, but it has not become completely depression-proof by any means. This is something we cannot afford to be complacent about.

The Bigger the Boom, the Bigger the Bust

It is almost axiomatic, of course, that the bigger the boom, the bigger the bust. If a boom is aggravated by rising prices that encourage people to speculate in the stock market, in real estate, in inventories, in all kinds of things, then the more serious the aftermath is likely to be in terms of reduced production and unemployment.

And that is not all. If we should get ourselves into a real depression—a decline more serious than the little dips of 1949, 1953-54, and 1958

—then the pressures on Government to undertake vast additional spending programs would be very great. If overdone, this approach might easily lead to more damaging inflation later on.

In short, we need to be concerned about both inflation and the danger of boom-and-bust. Either one alone is bad enough. Interacting with each other, they could undermine our economy.

WHAT CAN CREDIT CONTROL DO?

But can the Federal Reserve cope with all these dangers? How can credit control possibly solve all these things?

IT CANNOT, of course. The regulation of credit *alone* cannot ensure the stability of our economy. We cannot follow the wrong policies everywhere else and expect the Federal Reserve somehow to offset them.

Indeed, it would be foolhardy to sit back and rely solely on the Federal Reserve to stabilize our economy. Other things urgently need to be done to prevent living costs from rising and to achieve stable economic growth. For example, some of the policies pursued by our Federal Government in recent years clearly need to be corrected. Also, industrial wage and price policies present important problems that deserve thoughtful attention.

These are matters that we could discuss at considerable length. However, they would lead us far afield from our present subject. So, without minimizing the importance of these other things, let's get back to your questions about credit control.

The main point is that while flexible monetary policy cannot do the stabilizing job singlehanded, it is an absolutely essential part of any stabilization program. The job of the monetary authorities is to “lean against the wind” of either inflation or deflation. If they did not do so, our problems would inevitably be very much worse.

More specifically, the Federal Reserve can help to curb an inflationary boom by refraining from creating too much additional credit. Conversely, when business declines, it can help to counter this trend by making credit more easily available.

Assume a Boom

For example, take a period when the economy is operating at or near capacity. Now assume that you and a lot of other people decide to increase your spending substantially by borrowing more money. And at the same time businessmen decide to spend more money than usual to build up their inventories and to enlarge their plants more rapidly. So they try to borrow more money too.

What happens? Banks, insurance companies, and other financial institutions have a certain amount of money to lend that is constantly flowing in from savers. But these savings are not sufficient to meet all of the demands of all the would-be borrowers.

This is where the Federal Reserve comes in. The monetary authorities can expand the supply of credit that commercial banks can lend by supplying them with more cash reserves.

So they do so—to a *limited extent!* They supply the banking system with what they consider to be sufficient reserves to finance economic growth, but no more. To supply more would simply result in higher prices, not more production.

An Engine of Inflation—Potentially

Potentially, of course, the Federal Reserve System is an engine of inflation. If it had no regard for the public interest, it could create more and more credit, very much like printing more and more money. This would clearly be highly inflationary.

And the other side of the coin is, of course, that if credit is permitted to tighten during a boom, then it can be eased when business slows down. An easing of credit at such a time can help to prevent the downturn from becoming worse and may stimulate recovery.

In short, while monetary policy alone cannot guarantee economic stability, it can make an important contribution. Without this contribution, instability certainly would be aggravated.

WHAT CAUSES “TIGHT” MONEY?

Are you saying, in effect, that the Federal Reserve should at times

(CONTINUED ON PAGE 122)

Morgan Guaranty Trust Company

OF NEW YORK

Statement of Condition September 30, 1959

ASSETS

Cash and due from banks	\$ 760,514,724
U. S. Government obligations	609,118,431
State, municipal and public securities	244,774,298
Other securities	13,749,683
Loans	2,024,044,161
Accrued interest, accounts receivable, etc.	81,359,775
Customers' acceptance liability	49,308,799
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	4,795,495
Bank premises	22,597,213
	<u>\$3,823,012,579</u>

LIABILITIES

Deposits	\$3,135,975,338
Foreign funds borrowed	300,000
Reserve for expenses and taxes	26,656,489
Liability on acceptances	52,813,060
Dividend payable October 15, 1959	6,032,000
Other liabilities	81,383,880
Capital—7,540,000 shares—\$25 par	\$188,500,000
Surplus	236,500,000
Undivided profits	94,851,812
Total capital funds	519,851,812
	<u>\$3,823,012,579</u>

Assets carried at \$284,226,444 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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GEORGE S. YOUNG
*President
The Columbia Gas System, Inc.*

(CONTINUED FROM PAGE 120)

deliberately make money tight and push up interest rates?

STATING IT THAT WAY would be misleading. Instead, I would say that there are times when it is the duty of monetary authorities to permit credit to tighten and interest rates to rise. This would be a much more accurate way of describing what actually takes place.

The reason for making this distinction is that the active element in the credit situation is the demand for credit. Ordinarily the role of the Federal Reserve is essentially a passive one.

"Tight" money develops when borrowers are bidding for more credit than savers are supplying. At such a time, the Federal Reserve continues to add to the supply of credit but only in amounts required for stable economic progress. The monetary authorities have a mandate to support sustainable growth, not to underwrite inflation.

Borrowers Are Chiefly Responsible

So, it is primarily the demands of borrowers, rather than action by the Federal Reserve, that bring about a tightening of credit and rising interest rates.

You sometimes hear it said that banks are somehow responsible for "tight" money. This is a strange one. The more banks can lend, the better their earnings. Yet, by definition, "tight" money means that banks are being prevented from lending as much as borrowers would be glad to borrow. It means, in other words, that the growth of bank loans is being restricted.

This restriction on the expansion of bank credit clearly limits the ability of banks to make profitable loans and places them at a competitive disadvantage relative to other lending institutions. One would hardly expect the banks to conspire to achieve such a situation even if they could.

And, of course, they cannot. The banks do not and cannot control the total amount of money available for them to lend and invest. That power is vested with the Federal Reserve authorities.

Therefore, if you were to ask who is responsible for "tight" money, the answer would have to be that the chief responsibility rests with

borrowers—individuals, businesses, municipalities and the Federal Government, whose combined demands for credit at times exceed the amount that banks and other lenders have available to lend.

IS UP REALLY HIGH?

Just how much have interest rates risen in recent years? And how high are they now compared with previous periods—and compared with other countries?

SINCE THE END of World War II, interest rates in this country have risen substantially. However, you will also note that rates in recent years have not been unusually high in comparison with previous periods of peacetime prosperity.

For example, over the past five years, the average level of rates has been appreciably lower than during such prosperous periods as the 1920s, the early 1890s and the post-Civil War years. This is true of both short-term and long-term rates. Moreover, despite the rise that has occurred since World War II, most interest rates have remained well below the peaks reached in those earlier periods.

The Long Drought

It is only natural, of course—and desirable as well—that interest rates should be considerably higher today than they were during the depression of the 1930s or during the war. In a depression, interest rates tend to decline. Businessmen have less need for credit and individuals hesitate to take on more debt. Also, the monetary authorities properly pursue an easy money policy.

All these things happened during the 1930s, and interest rates declined to the lowest levels on record. In fact, this worst of all depressions was accompanied by a period of extraordinarily low interest rates that was completely unprecedented in our history.

Then came the war, and the Government's needs for borrowed money were enormous. This financing obviously had to be done, and, to accomplish it, flexible monetary policy had to be abandoned for the duration. Confronted with these wartime imperatives, the Federal Reserve "pegged" the Treasury's borrowing rates at very low levels and permitted a huge expansion of

bank credit, even though this was clearly inflationary.

Since the war, private demands for credit have been strong and have pushed interest rates back to more normal levels. Most of this rise has been largely a matter of returning to the range of rates that prevailed throughout our history prior to the Big Depression.

A Look at Other Countries

A comparison of the average yield on long-term Government bonds in the United States and in other leading nations most comparable with our own—the United Kingdom, Canada, France, Italy, and Germany—shows that the average rate in the United States has been appreciably lower than in any of these countries. And in most other nations throughout the world, interest rates are even higher.

To sum up, interest rates in this country in recent years have not been high compared with previous periods of prosperity nor by comparison with interest rates in other countries.

INTEREST RATES ARE UNIQUE

You say—and I certainly agree—that we want to keep prices from rising. And yet, you also say that interest rates are prices and that these particular prices should be permitted to rise. Isn't this inconsistent? Aren't you saying, in effect, that all prices should be held down except the price of your own product; namely, credit?

SUCH A POSITION would certainly be inconsistent if interest rates were like other prices. But they are not. They possess unique characteristics that put them in a very special category.

For one thing, fluctuations in interest rates are a two-way, not a one-way, proposition. In contrast with many other prices, interest rates at times decline sharply. They did so during the recessions of 1949, 1953-54 and 1958, and they will undoubtedly do so again whenever the supply of lendable funds exceeds demands for them.

Even more important, however, is the fact that interest rates constitute an integral part of the mechanism of credit control. The Federal Reserve cannot possibly regulate the

volume of bank credit unless interest rates are free to fluctuate.

When demands for credit exceed the available supply, interest rates could be held down only if the Federal Reserve were to inflate the supply of credit as rapidly as these demands increased. There simply is no other alternative way of holding interest rates down. And this sole alternative would be a prescription for inflation and for boom-and-bust.

Stable Rates=Unstable Prices

Finally, interest rates perform important functions in our economy that no other prices perform. For one thing, they may at times encourage and at times discourage borrowing and spending. During boom times, therefore, when spending tends to be excessive, rising interest rates are desirable as a curb on spending. And when business declines, it is desirable that rates should decline to stimulate spending.

Interest rates also constitute a reward for saving money instead of spending it. Low rates obviously afford less incentive to save than higher rates. Even though some savers are not much influenced by this incentive, it nevertheless does have some effect upon the total volume of savings.

Moreover, if interest rates were not permitted to rise during boom periods, the resulting inflation could seriously undermine people's willingness to save.

In short, though interest rates are prices, they are fundamentally different from all other prices because money is fundamentally different from goods and services. If interest rates were to be kept stable, the prices of goods and services would inevitably be unstable. It is only by permitting interest rates to fluctuate—down as well as up—that we can hope to achieve reasonable stability in the average level of all other prices.

[The remainder of the booklet is largely devoted to setting the record straight on certain misconceptions relative to the banking business and to inflation. Main headings include "A Common Fallacy," "Is Anyone Badly Hurt?" "Who Benefits?" "All of Us!" "Have the Banks Profiteered?" "Why Profits Have Remained Low," "Why So Much Controversy?" and "In a Nutshell."—EDITOR]

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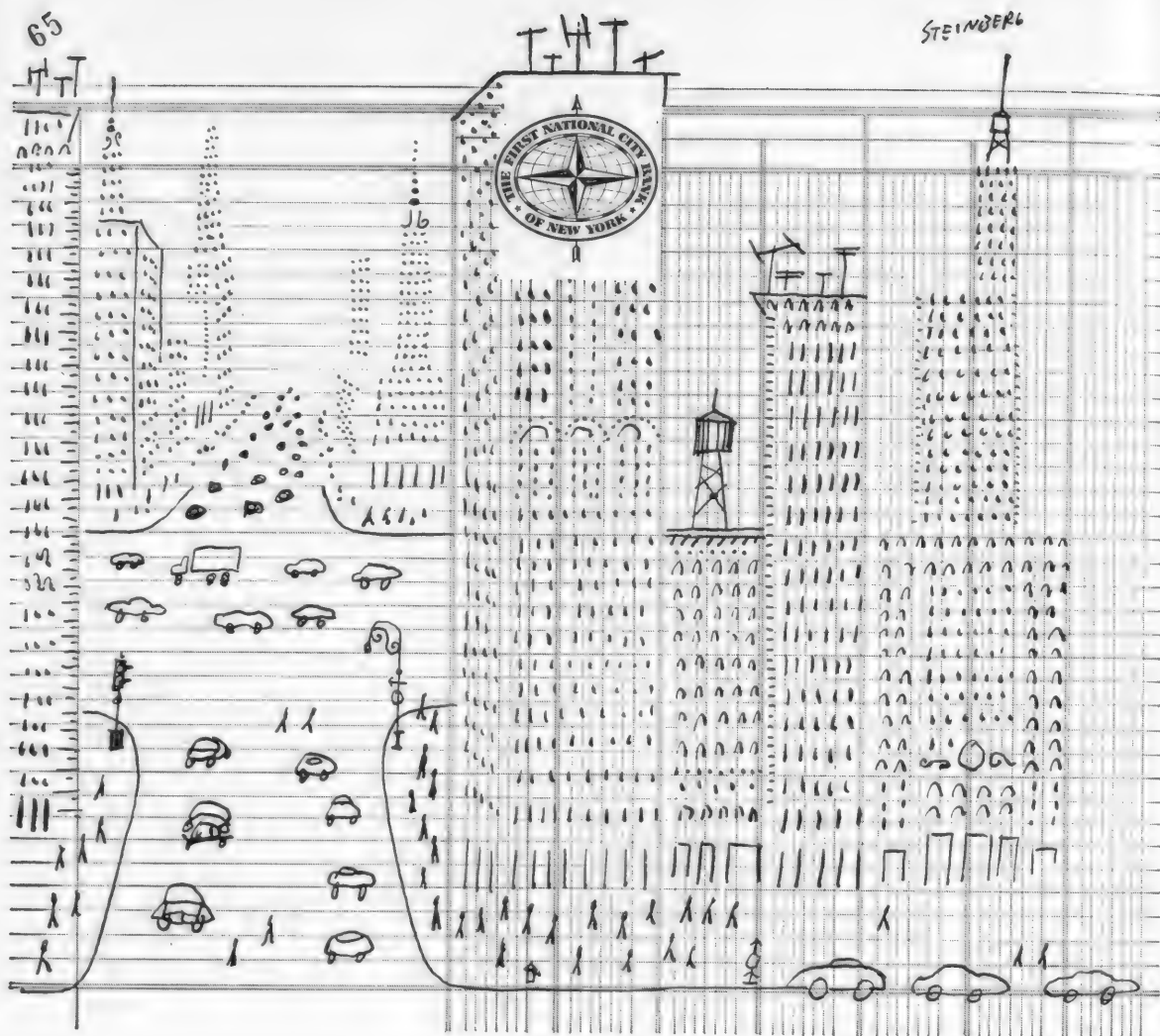


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Magnetic Ink's Imprint on Banking

(CONTINUED FROM PAGE 44)

asked that the old paper be discarded. But even after 2,000 phone calls to customers who refused to throw away their old checks, the bank had only 95% usage of the numbered checks.

Counter checks offer a more serious problem. Magnetic ink will require their elimination and the substitution of a program whereby customers will carry all their pre-qualified checks for use in the bank. A plastic or metal plate for use with an imprinter which will imprint an acceptable magnetic ink account number on each deposit ticket might go far toward solving the problem with that item. If this is developed, banks will probably provide carriers enabling each customer to send his plate to the bank with mail deposits, thus eliminating the need for pre-printed tickets.

UNCONTROLLED ITEMS. The Todd Division of Burroughs Corporation has identified 11 major problem areas affecting these bank items. The question is whether banks can request their customers to redesign many forms to accommodate the magnetic ink imprint. A full explanation of the new program and an offer to help redesign the customer's checks will help.

NON-CODED ITEMS. Since an economically feasible MICR program requires a 98-99% range of encoded items, look hard at the percentage of items originating in the bank which will not be pre-qualified. Among them are collection forms, counter checks, and miscellaneous debits and credits created by various departments. To be processed automatically, these forms must be encoded with both account number and amount on manual encoders.

PRINTING'S VIEW OF MAGNETIC INK

George W. McSweeney

JUST as it took time to decide on a common machine language, and even longer to move the machines out of the laboratory and on to the production line, so it will take time for check printers to complete the change-over that magnetic encoding makes necessary. Remember, machine manufacturers could not determine what the machines could read until they had built prototypes that could be used for testing. It wasn't until last November that they finally firmed up the type design [E-13B] and presented the printing specifications. Not until then did the printers know that printing was to be put under a microscope.

NEW SCALE. Printing imperfections are being measured with a new scale. Quality has always been judged by the human eye; now it must conform to the mechanical eye's limitations. To evaluate workmanship, printers must have unfamiliar measuring devices. Few are so equipped at present; still fewer know how to use what they have.

The mechanical eye is not as selective as the human eye; it cannot ignore extraneous matter. Thus a tiny void in ink coverage might pre-

vent recognizing a character in its entirety. A tiny spot of ink, perhaps invisible to the average human eye, might create a pattern that does not conform to the norm. In other words, the mechanical eye sees everything, but cannot recognize only what it is supposed to and overlook everything else. All imperfections must now be measured, and it is in the defining of the dimensions that a new concept of quality is created—one that has had a severe impact on printers.

PROGRESS! There's progress to report. Of the 12 conditions to be considered in evaluating the printer's workmanship, "seven are no longer frightening. We have not licked them fully, but they don't scare us as they did in the beginning." They are: format, spacing, skew, alignment, character dimension, embossment, signal level. The other five still puzzle printers: uniformity of ink, character edge irregularity, voids, extraneous ink on the front, extraneous ink on the back.

"In July," said Mr. McSweeney, "the Printers Advisory Committee proposed certain modifications on these five conditions, but our rec-



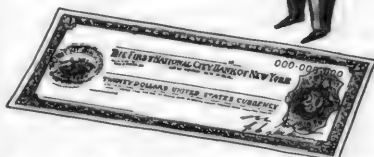
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A NEW FACILITY IS ADDED

We are pleased to announce the opening of a new facility in Detroit. For the time being we will produce only Personalized Checks at this location, but it probably won't be too long before the unit attains full plant status. In the meantime, it will help us to provide faster service to Detroit area banks, particularly on large volume orders of imprinted pocket checks.

Our Detroit office manager will be Cliff Burk, who for many years has been located in our Cleveland plant and who is thoroughly familiar with Detroit bank requirements. Dan Trimmer, a long-time production department head in our Chicago plant, will be superintendent. These two men should make a good team and they will have the support of a qualified group of key people who are experienced in our methods and who will be most helpful in training new people. We rather think this new Detroit unit will grow rapidly.

Installing a new service facility so soon after the completion of our new building in Cleveland repre-

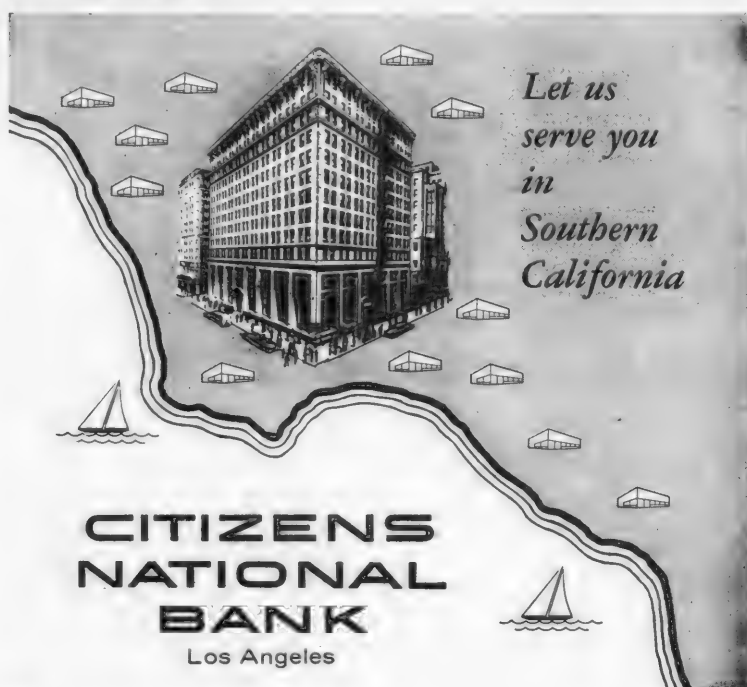
sents an acceleration of our planned expansion program, but we are becoming accustomed to departing from time schedules and this may be simply the forerunner of similar moves elsewhere. Our business has doubled every five years since before the war and, inasmuch as there is nothing on the horizon that threatens to change this pattern, we might just as well be prepared to continue to face growth problems.

We do not make a practice of establishing plants in new areas just to expand our business, but when we have enough established business in any trade area to support a plant, we feel it is incumbent upon us to set up the machinery to service it properly. Right now growth is quite sectional, whereas in years gone by it was more or less evenly distributed. As a consequence, we not only have to anticipate it but we have to be mobile enough to alter our plans and quickly move into the areas where the growth is most apparent. That is the reason why we moved into Detroit one full year ahead of schedule.



Manufacturing Plants at:

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KANSAS CITY, ST. PAUL, DALLAS, CHATSWORTH



ommendations were watered down so much by the Office Equipment Manufacturers Technical Subcommittee on Type Design that they appear to me to be more severe than they were originally. Nevertheless, we will continue our research with the objective of continued improvement in mind."

READABILITY. Machine readability, to the printer, is the big unknown of the program. "We have no right to make any assumptions concerning readability because our sample batches sent for evaluation are judged solely on optical examination, but we have an idea that the machines can do better than the written specifications would indicate. We frequently get reports that show our samples to be in violation on two or three conditions, but accompanying these reports oftentimes is the strong hint that they read perfectly, so in all likelihood there is quite a margin between machine readability and written criteria. We don't know what this margin might be and, until we do, we cannot afford to relax our efforts to meet the specifications presented to us."

THE BIG "IF." On the whole, the picture is clearing. It's still blurred in spots, but promises to come into sharp focus in the near future. If—a big "if"—it's proved that the machines can read any printing the eye would rate "good," then "we have nothing to worry about."

SYSTEM PLANNING— EQUIPMENT

John N. Raleigh

WHILE many newer installations might have been made primarily to correct a bad situation in the bookkeeping department, a bank should not put in a radical new system, or materially different equipment, until it has cleaned up its existing operation. Only by doing this can you get a solid, realistic base against which to judge the proposed new system and equipment.

A numbering system is desirable in any case.

THE COMPUTER. While it is true that most of the electro-mechanical machines will accept MICR

(CONTINUED ON PAGE 128)

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What is more flattering to them... what more subtle way can you say, "Pleased that you are here" than with a PITTCOMATIC Door that opens at the touch of a finger or the pressure of a

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The PITTCOMATIC opens HERCULITE[®] tempered all-glass doors, WEST and TUBELITE[®] metal-framed doors, and wooden doors at the lightest touch. A simple hydraulic principle activates the device that is extremely compact and has no visible operating mechanism. It requires no structural alterations in the building, and is available for handle, mat or remote operation. Powered by electricity, it is as economical to operate as a home refrigerator.

We will gladly send you complete information on how your bank can take advantage of the many benefits offered by the PITTCOMATIC door opener. Just fill in and return the coupon.

Pittsburgh Plate Glass Company
Room 9169, 632 Fort Duquesne Blvd.
Pittsburgh 22, Pa.

Without obligation on my part, please send me complete information on the PITTCOMATIC automatic door opener.

Name

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City State



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Among the hundreds who visited the Doane exhibit and the Seventh National Agricultural Credit Conference, in Omaha, were (left to right): Hugh Lorimer of Doane's, Fort Worth, Texas; Glenn Barks of Doane's St. Louis office; Douglas Graves, Chicago; George Cronan of Doane's, Lafayette, Indiana.

HAVE AN APPLE ON DOANE at the Eighth National Agricultural Credit Conference in Cincinnati

We hope you'll drop in at our exhibit during the Eighth National Agricultural Credit Conference, November 8 and 9. Enjoy an apple with the compliments of Doane Agricultural Service, Inc., America's oldest and largest organization devoted to farm management and agricultural research.

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throughout America as the keystone of their public relations programs. It is a publication that helps farmers in their business by condensing the thinking of recognized agricultural leaders into easy-to-read capsules.

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(CONTINUED FROM PAGE 126)

equipment, the cost of the resulting package appears so high that it approaches that of a medium scale computer, and there's no comparison between the obtainable results. One is still a bookkeeping machine, but a computer is a highly versatile device capable of handling all accounting jobs.

Many banks feel a tremendous amount of study is necessary in order to understand a computer. But it is totally unnecessary, and probably undesirable, to understand it. It is simply a larger, faster tool. *How it works* is the manufacturer's problem. *How to use it* is the banker's problem. U. S. National has found that any good, bank-trained methods men can get on familiar terms with a computer in a few weeks.

Another misconception is that the computer requires highly skilled, highly paid experts to program and operate. But programming, although complex, isn't any harder than understanding loan accruals or many other standard bank jobs. U. S. National has successfully trained teenagers as both programmers and operators.

The high cost of computers is not only relative, but hinges on bank policy. Some banks are expecting automation costs to rise, but to stabilize them in the face of rising volume and inflation. In such a case, the computer selected will probably be one of the bigger, faster, more expensive machines, and it will probably lose money the first few years.

However, many banks are looking at computers far too big for them. Don't let your eyes be larger than your wallet.

EMPHASIS ON SYSTEMS. Banks have placed too much emphasis on the competitive aspects of hardware and not enough on systems. Whether a sorter has a pink button or a green one is a minor detail if you can't balance the work. Remember that if you have 50,000 checking accounts on a conventional posting system now, you probably have at least 50 people available to check out differences. Under a fully automated system you will probably have two people, and they won't make much of a dent in 50,000 accounts if they use ordinary means of check-

(CONTINUED ON PAGE 130)

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BANK _____
ADDRESS _____
CITY _____ ZONE _____ STATE _____

DIB-815

(CONTINUED FROM PAGE 128)

ing differences. U. S. National has learned that the degree of control must go up in direct proportion to the square of posting speed.

CHECK CLEARING

James V. Vergari

HERE'S a short report on the present status of check processing automation in the Federal Reserve System which expects to be ready for clearance of magnetic ink en-

coded checks sometime early in 1961:

Four types of components will be used at the Feds: high-speed, multi-pocket electronic sorters with pseudo-dictionary look-up, which is an improved digital sorting system with multiple number selection or fully dictionary look-up techniques; high speed listers; amount encoders; transit number-routing symbol encoders; and proof machines with attached devices to encode simultaneously the dollar amount on the check as part of the proofing operation.

Awards of contracts have been made to five manufacturers to produce either separate components or fully integrated automated equipment for electronic check handling. Five Federal Reserve banks will probably be selected as pilot installations to test these devices and components with "live" checks for six months. The first three sets of components are scheduled for delivery to the pilot installations in about nine months. The remaining pilot plant equipment is expected early in 1961.

WHAT'S NEEDED. Needed ingredients are: a flow of properly qualified checks beginning late in 1960 and mounting steadily through 1961 to about 70% of the check clearing volume. This will require active cooperation among printers, commercial banks, Federal Reserve banks, business and the check-writing public soon.

Legal problems will not differ substantially from today's. The Federal Reserve System subcommittees have decided that these problems are vastly outweighed by the benefits of the new system.

WHY? At present the majority of banks can't afford to install fully automated bookkeeping equipment, and may properly ask why they should order magnetic ink-imprinted checks, why they should encode the dollar amount on checks not drawn on them, and the benefits to them.

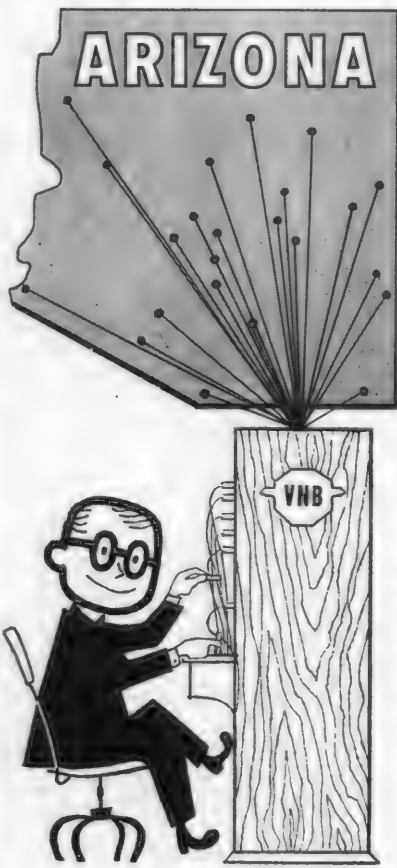
First, they should do it in the interest of a more efficient check collection system which will indirectly benefit them and their customers, and as a public service. Also, they should cooperate so that their correspondent bank and/or Fed bank may give faster collection service.

COST. "What's it going to cost us?" Well, no additional staff will be required. Checks preprinted in magnetic ink with the bank's electronic address may cost about 10% more. Since the check cost absorbed by a bank is a minor expense item, this rise should not be a burden.

How about the encoding of the dollar amount? It is hoped that there will be relatively inexpensive machines which may be bought or rented and attached to the proof or adding machine; as a by-product of proving deposits or preparing cash letters the checks will be automatically encoded.

(CONTINUED ON PAGE 132)

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The First National Bank of Chicago

Statement of Condition October 6, 1959

ASSETS

Cash and Due from Banks	\$ 548,226,470.58
United States Government Obligations	692,930,475.42
Other Bonds and Securities	175,671,657.49
Loans and Discounts	1,508,012,829.62
Real Estate (Bank Buildings and Adjacent Property)	1,101,783.76
Federal Reserve Bank Stock	7,650,000.00
Customers' Liability Account of Acceptances	3,541,725.59
Interest Earned, not Collected	9,584,179.31
Other Assets	8,168,919.28
	<u>\$2,954,888,041.05</u>

LIABILITIES

Capital Stock	\$ 125,000,000.00
Surplus	130,000,000.00
Undivided Profits	16,497,908.72
Discount Collected, but not Earned	6,635,928.51
Reserve for Taxes, etc.	37,064,015.35
Bills Payable	91,600,000.00
Liability Account of Acceptances	4,824,674.50
Time Deposits	\$ 566,616,060.70
Demand Deposits	1,714,462,954.35
Deposits of Public Funds	255,183,537.92
Liabilities other than those above stated	7,002,961.00
	<u>\$2,954,888,041.05</u>

United States government obligations carried at \$367,524,721.82 are pledged to secure United States government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

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regulations are outlined in "Your Guide to Business in Canada," just published as a service to American executives by Canada's First Bank. Many other essential subjects, including Canadian taxes and company formation, are discussed.

This booklet is one of a number of B of M publications which may help you render broader service to your Canadian-minded customers. For a free copy write on your bank letterhead to our nearest U.S. office or to the Business Development Department, Head Office, Montreal.



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Size, color and style conforms to ABA Code. Side bands and denominations printed in 6 brilliant ABA code colors for quick identification—on 55 lb. super-strong white kraft for strength. Imprint, if desired.

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55 lb. Golden Brown Northern Kraft stock with denominations printed in reverse blocks in 8 specified colors for easy recognition. Imprint, if desired.

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60 lb. bright, colored Northern Kraft with denominations printed in large, black type (to cut down errors). Imprint, if desired.

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Please send free samples of coin and money wrappers with descriptive literature to:

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wherever money is wrapped!

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(CONTINUED FROM PAGE 130)

There is need for a common attack on headache checks and irregular check forms, plus action by each bank towards having checks printed in compliance with the specifications of the common machine language.

FOUR SUGGESTIONS. General suggestions on planning for automated check processing:

(1) Review your bank-supplied check forms with your printer. Standardize on as few colors, styles, forms and binders as possible. Redesign any checks that can't accommodate magnetic ink characters.

(2) Review your "paid" check files to ascertain which customer's checks need redesign or change to meet MICR standards. Then contact each customer to achieve the needed alterations.

(3) Local bank groups might arrange to tell the MICR story to local businessmen and community service clubs.

(4) Select a printer or supplier who is equipped to perform a quality job and hold close tolerances.

NEW EQUIPMENT

THE Fifth Third Union Trust Company of Cincinnati will be the first bank to install National Cash Register Co.'s new 304MICR system. It's scheduled for operation by early 1961.

VALLEY National Bank, Phoenix, is contracting with Intele Systems, Inc., the eventual installation of an integrated data processing system, including computers designed for check handling and demand deposit accounting.

THE Philadelphia National Bank is operating a Cummins-Chicago Perf-O-Reader in its time credit department.

AMERICAN Fletcher National Bank and Trust Company, Indianapolis, has leased the new IBM 1401 data processing system, to be linked with a magnetic character sorter-reader.

REMINGTON Rand held several "finance seminars" for bankers in metropolitan areas to introduce the new Univac Solid State Computer which uses no tubes. It's designed to operate at lower cost on smaller power requirements. New devices include Ferractor amplifiers, transistors, and magnetic cores.



(CONTINUED FROM PAGE 32)

THE FAIRFIELD COUNTY TRUST COMPANY, Stamford, Conn., starts on new Bethel office, to be open for business in 1960.

SOUTH CAROLINA NATIONAL BANK opens new million-dollar bank and office building on Assembly Street in Columbia. Opening of new building coincides with 125th anniversary of the establishment of THE BANK OF CHARLESTON, SOUTH CAROLINA NATIONAL'S parent bank.

THE FIRST SAVINGS BANK AND TRUST COMPANY, Ravenna, Ohio, and FIRST NATIONAL BANK OF MANTUA, Ohio, consolidate and become THE FIRST NATIONAL BANK AND TRUST COMPANY OF RAVENNA under the Mantua bank's charter.

MOHAWK (Ind.) STATE BANK merges into WILLOW BRANCH STATE BANK. Consolidated bank assumes new name of HANCOCK COUNTY BANK.

FIDELITY BANK AND TRUST COMPANY, Indianapolis, establishes new

Speedway, Ind., branch. FIDELITY subsequently merges into AMERICAN FLETCHER NATIONAL BANK AND TRUST COMPANY.

THE COMMERCIAL BANK, Waynoka, Okla., enters voluntary liquidation and is succeeded by FIRST STATE BANK, Waynoka.

FIRST AMERICAN NATIONAL BANK, Nashville, Tenn., announces December 1 opening of new Green Hills branch.

HILL TOP BANK, Pittsburgh, Pa., plans merger into WESTERN PENNSYLVANIA NATIONAL BANK.

FARMERS STATE BANK, Woods Cross, Utah, celebrates its 50th anniversary.

FIRST PORTLAND (Me.) NATIONAL BANK opens two-lane drive-in across the street from its main office, with free parking areas for main office customers.

SALISBURY (Md.) NATIONAL BANK celebrates its 75th anniversary, holds open house, runs 12-page insert in *The Salisbury Times*.

FOURTH NORTHWESTERN NATIONAL BANK OF MINNEAPOLIS, Minn., celebrates its 60th anniversary.

Plaza Drive-In Bank Joins the A.B.A.

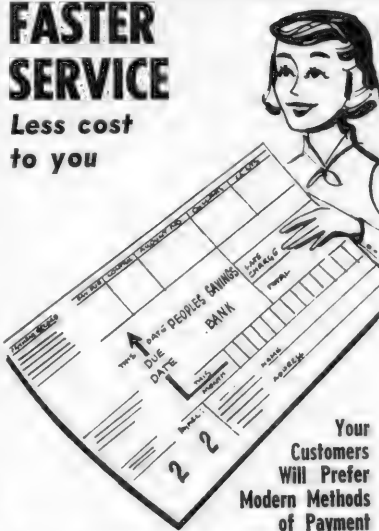


Left, Wendell Trenchard, A.B.A. Regional vice-president and president of DeLand (Ill.) State Bank, congratulates Leonard A. Kelly, president of newly-organized Plaza Drive-In Bank, Norridge, Ill., upon his bank's joining the American Bankers Association. To the right of Mr. Trenchard is Martin R. Both, the bank's assistant cashier; to the left of Mr. Kelly, Ernest M. Thormahlen, vice-president

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Detroit 7, Mich.

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Title _____

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City & State _____

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For a Representative



Washington

(CONTINUED FROM PAGE 41)

Later in the hearing Senator Prescott Bush (R., Conn.) discounted the effect of "scare talk" on the decisions of the money market. He said of those who trade in Government securities:

"They do not pay too much attention to what the politicians say about the situation." Mr. Martin agreed of course.

A press conference in connection with the release of the first of 25 special papers being prepared for the Joint Economic Committee's comprehensive study of employment, growth and price levels produced an exchange between Senator Douglas and Senator Bush on the subject of Vice-president Nixon's Cabinet Committee on Price Stability for Economic Growth.

The Douglas committee is making pretty much the same sort of an inquiry for the legislative branch that the Nixon committee is doing for the executive branch. But it would appear even now that the Douglas

committee will come up with a different prescription from the Nixon committee's.

Senator Douglas called the Nixon committee's releases "a collection of bromides and obviousities." And Senator Bush found the criticism "unfair" and "ridiculous." That there is rivalry developing might well be expected. It was certainly detectable in the promotion that the Joint Economic Committee built into its release. This declared:

"This collection of materials plus the committee's report will represent the most thorough-going examination of the problems of economic stability which has been undertaken by any public body since World War II."

A.B.A. Program

In the private sector the A.B.A. has a Committee for Economic Growth Without Inflation, the announcement of which won wide approval here. Vice-president Nixon congratulated President Lee P. Miller of the A.B.A. He said:

"I am particularly pleased that your organization is going to carry

out a program to help inform the American people about monetary and budget policies that have such great bearing on the cost of living.

"In my opinion, it is no exaggeration to say there is widespread misunderstanding and confusion concerning these policies. Anything that increases public knowledge in this area will be of great benefit to our nation."

Schultze Study

Getting back to the Joint Economic Committee paper, this was a 134-page study by Prof. Charles L. Schultze of Indiana University on "Recent Inflation in the United States," with particular attention to the 1955-57 period. That Prof. Schultze's findings coincided with Senator Douglas' thinking was indicated by the Senator's comments praising the study as "highly significant original research and analysis which throws new light on many of the assumptions that have been made about the recent inflation."

In Prof. Schultze's opinion, with a dynamically stable aggregate demand, inflation can still arise and we are faced with this situation:

"We can either attempt to alter the composition of demand by using selective controls, or we can accept the moderate price increases that ensue. This is our choice. We cannot solve the problem, indeed we shall do positive harm, by a further repression of aggregate demand through monetary and fiscal policy."

It is obvious that Prof. Schultze disagrees with the Administration's monetary and debt policies.

Banks may be faced with the additional and expensive services to the Government of withholding for Federal income tax purposes on interest earned by depositors in savings accounts. The American Bankers Association and other financial groups have been conducting conferences during the past month with Treasury and internal revenue officials in an effort to avoid withholding by developing a plan for voluntary bank education of depositors.

Under Secretary of the Treasury Fred C. Scribner brought this problem out of the conference room into the open last month in a talk to the Massachusetts savings bankers convention. Although he made it clear that he doesn't believe that bank withholding is the solution to the

(CONTINUED ON PAGE 136)

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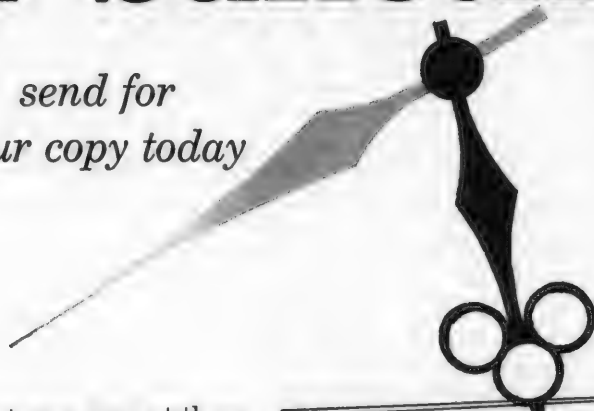
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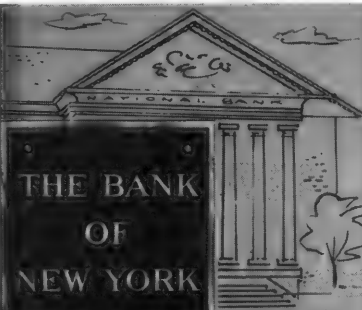
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(CONTINUED FROM PAGE 134)

problem at this time, Mr. Scribner did indicate that financial institutions must come up with a satisfactory answer—or take withholding.

The Treasury estimates that \$3-to \$5-billion in interest is not being reported. Not all of that, of course, would be taxable. But the Treasury is under pressure from Congress to collect all of the revenue that the present tax laws require. And the Treasury surveys show that savings interest is a loophole. Another that Mr. Scribner mentioned is dividend income from stock investments.

Assuming most taxpayers are honest, the problem becomes one of alerting them to the fact that interest received is reportable as income. The approach now is to see what educational methods can be developed to alleviate the problem short of withholding.

IDA Proposals

At the meetings here of the World Bank and International Monetary Fund and the International Finance Corporation, the Administration presented its proposal to establish an International Development Association. Eugene F. Black, president of the World Bank, promised that the new agency will not be a "soft lender," although it will make so-called "soft loans," that is loans repayable in the currency of the borrowing nation.

In a talk that Robert L. Garner, president of the International Finance Corporation, gave, there was an interesting passage that must have been duly noted by some of the delegates. It is eminently worth quoting:

"I am convinced that there has been a growing realization that private business and private capital can help in their [the newly developing countries] progress toward stronger economies and a better life for their people. Nevertheless, among them there are more than a few sincere and responsible people who still retain doubt as to the effectiveness and suitability of private enterprise for their countries, despite the realization that private enterprise is largely responsible in North America and Western Europe for the highest standards of living ever achieved.

"There is also a fairly widely held view that, although private enter-

prise can be useful, it needs to be rather strictly directed and controlled by government. Certainly no serious person today would dispute that governments have a responsibility to lay down broad rules of the game for private business to protect society against abuses. But if an economy is to benefit from the vigor of individual effort and from the imagination and courage of the able man, government must not put him in shackles of bureaucratic regulation nor attempt to substitute the judgment of officials for his business judgment. I fear, and I think experience proves, that an economic system may get the worst of both worlds if it accepts private enterprise only under conditions which tie its hands and interfere with its ability to produce and grow."

FDIC to Mutuals

Jesse P. Wolcott, Chairman of the Federal Deposit Insurance Corporation, put mutual savings banks on notice against raising dividend rates "to levels unjustified by the earnings position of the institution." He warned that "zeal for growth can sometimes distort our sense of values and cause it to be purchased at too high a price."

Mr. Wolcott also suggested that "complacency" might be weakening the competitive position of savings banks. Two areas in which he indicated they might do some promotion are savings for college education and home furnishings.

EXPENSES v. EXPERIENCE

**To live within your income
Don't spend more than you earn;
Cut down on nonessentials,
Make that a prime concern.
Keep looking out for bargains,
Save pennies where you can,
Don't worry about the Jones's,
Economize and plan.
Make up a family budget,
Then see that you stick to it,
Save something from each pay
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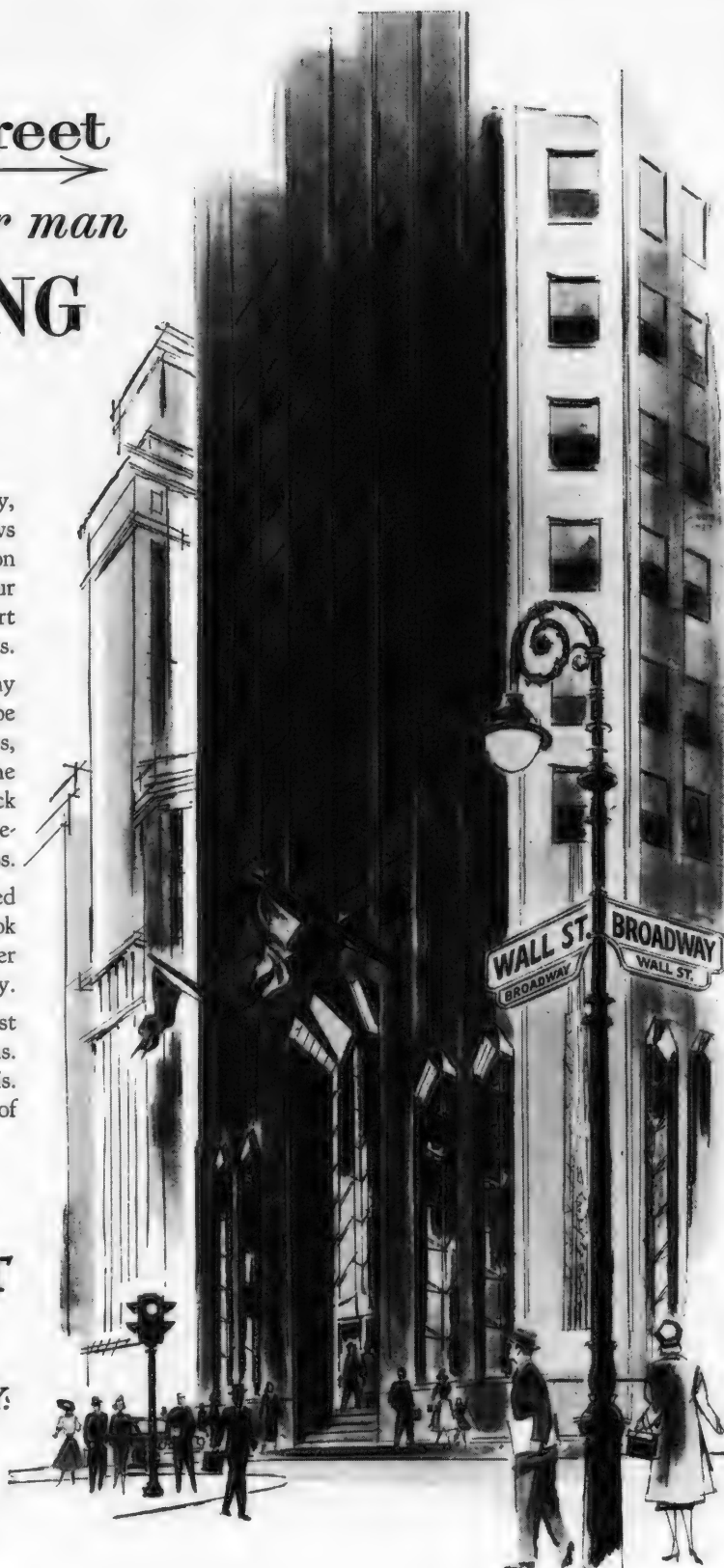
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New Books

STUDIES OF HIGHWAY DEVELOPMENT AND GEOGRAPHIC CHANGE. By *William L. Garrison and others.* University of Washington Press, Seattle. 291 pp. \$7.50. This study, published in cooperation with the state's Bureau of Roads and Highway Commission, covers such important modern questions as highways and retail business, customer movement and retail business location, and highways and urban residential land use.

BRIMSTONE: THE STONE THAT BURNS. By *William Haynes D. Van Nostrand Company, Inc., Princeton, N. J.* 308 pp. \$5.95. The story of the American sulphur industry and the men who built it.

THE SPECULATIVE SIGNIFICANCE OF THE INNER ACTION OF THE MARKET. By *C. M. Flumiani.* Institute for Economic and Financial Research, Newton Center, Mass. 50 pp. \$2.95. The author, a Boston management consultant, writes on the dynamics of security prices, "the intimate nature of the market action," and tools of analysis for interpreting and measuring that action.

CASES IN REAL ESTATE FINANCE. By *James C. T. Mao.* Bureau of Business Research, University of Michigan, Ann Arbor. 115 pp. \$3. Ten cases are analyzed in detail.

COMPETITIVE INTELLIGENCE: INFORMATION, ESPIONAGE, AND DECISION-MAKING. C.I. Associates, Watertown, Mass. 78 pp. \$10. This special study for businessmen prepared by students at Harvard's Graduate School of Business Administration is said to be "the first comprehensive report on how companies collect information about their competitors." It is based on information obtained from nearly 300 executives. The greatest amount of information about competitors, it says, is gathered by "above-board" methods—salesmen's reports or studies of published sources. However, some companies reported that "spying" or other undercover means had recently been discovered in their industry. The report offers a recommended program for establishing "a competitive intelligence system."

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The standard work on financing devices in relation to trade transactions under international practice and American law. Book fully treats the expanding role of the commercial banker in foreign trade; covers fundamentals of sight and acceptance credits with up-to-date guidance on international commercial credit regulations, acceptance financing, significant court decisions, etc. Provides forms for substantially all phases of commercial credit transactions with an explanation of their application and significance. 4th Ed., 20 illus.; 277 pp. \$7

BUSINESS LOANS of AMERICAN COMMERCIAL BANKS

Edited by

BENJAMIN HAGGOTT BECKHART,
Columbia University—with 14 Contributors

An expert analysis of the lending activities of commercial banks and the services they render in meeting the credit needs of business. Book explains the nature of business loans, evaluation of credit worthiness, problems of risk protection. Discusses loans for working capital, financing intermediaries; term loans, interim financing, the slow loan—with numerous examples. 58 illus., tables; 453 pp. \$7.50

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BANKING



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"It's surprising that a small thing like a drive-in window's deposit drawer can be so important in increasing business," says Mr. Lloyd J. Baquet, Manager of Calcasieu Marine National's South City Branch in Lake Charles, La.

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"In the past, it took all kinds of gymnastics to get the hand up, over and into the drawer. Then the depositor had to grope blindly for his material.

"Our windows serve everything from trucks to small foreign cars. Again the deposit drawer is ideal. It's electrically operated, can be extended to any point up to 14 inches...further if need be. In short, it's designed to suit any size vehicle or depositor's arm.

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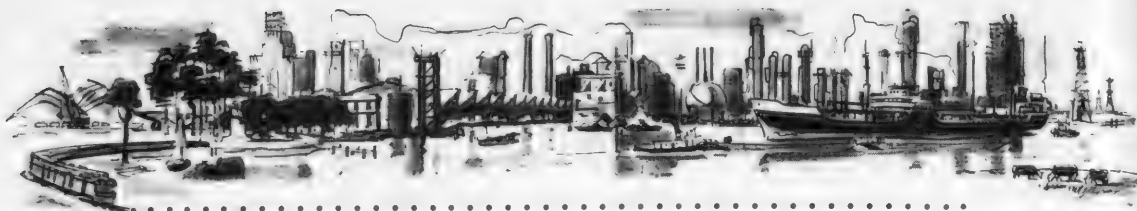
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STATEMENT OF CONDITION

Condensed Statement of Condition as of October 6, 1959

RESOURCES:

Cash and Due from Banks.....		\$213,165,690.42
U. S. Government Bonds.....	\$179,345,408.02	
Municipal Bonds and Warrants.....	13,830,341.98	
Federal Reserve Bank Stock.....	1,650,000.00	
Other Investments.....	3,927,807.99	198,753,557.99
Loans and Discounts.....		245,039,997.06
Federal Funds Sold.....		12,000,000.00
Bank Premises.....	21,642,500.00	
Furniture and Fixtures.....	1.00	
Other Real Estate.....	25.00	21,642,526.00
Interest on Securities and Other		
Income Earned—Not Collected.....		2,184,640.58
Customers' Liability on Letters of Credit.....		4,551,077.98
TOTAL RESOURCES.....		\$697,337,490.03

LIABILITIES:

Capital Stock.....	\$ 27,500,000.00
Surplus.....	27,500,000.00
Undivided Profits.....	4,879,499.47
TOTAL CAPITAL ACCOUNT.....	\$ 59,879,499.47
Reserve Accounts.....	5,110,261.83
U. S. Government Securities Sold	
Under Repurchase Agreement.....	23,787,500.00
Liability on Letters of Credit.....	4,551,077.98
DEPOSITS:	
Individual.....	\$439,731,287.54
Banks.....	150,671,246.17
Government.....	13,606,617.04
TOTAL LIABILITIES.....	\$697,337,490.03



**FIRST CITY
NATIONAL BANK
OF HOUSTON**

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

WHAT'S NEW

*This department is compiled by
ETHEL M. BAUER of BANKING's staff.*

INTRODUCTION of a fully automatic office copying machine has been announced by **Haloid Xerox, Inc.**, Rochester, N. Y. The new push-button copier requires no sensitized or treated papers, and needs no exposure or developing adjustments. The required number of copies may be made by simply setting a dial. No need to handle copy paper or



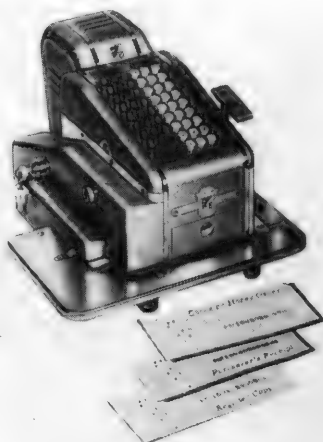
rehandle the original for the multiple copies. The XeroX 914 copies all colors, and rapidly prints finished, permanent copies of any written, drawn, typed, or printed document up to 9" x 14" in size. At the touch of a button, one or any number of photo-exact, curl-free copies are automatically reproduced and stacked by the machine, which then shuts itself off. Machine will be available commercially for lease or sale early in 1960.

New paper shredder, which completely destroys confidential papers, as well as other materials, including leather, various fibers, and even scrap plastic, is being marketed by the **Industrial Shredder & Cutter Co.** Principal features of the mechanism are a unitized assembly of straight knives and a fluted feed roll for jam-free operations. This rigid construction avoids accidental bending of knives out of cutting shape, or jamming of paper during

the operation. This compact unit is 18½" high, 25" wide, and 28½" long. Carrying handles on each side of the machine permit convenient transporting from one location to another. For further information write to **South Ellsworth Ave., Salem, Ohio.**

A NEW magnetic offset duplicator ink, designed to be used in conjunction with high speed data processing techniques, has been announced by the **Colitho Division of the Columbia Ribbon and Carbon Manufacturing Company of Glen Cove, New York.** The new ink is particularly applicable to the newly adopted check interpreting systems now being installed in many banks.

DEVELOPMENT of a new product for the electronic field of automation is the **Keypunch Protector** introduced by the **Hedman Company, 1158 Armitage Ave., Chicago 14, Ill.** This machine automatically and simultaneously key punches the amount into IBM tab card checks and money orders at the time they are imprinted. Introduction of input into the card check and register copy at the time of imprinting means that the cards can be processed in tabulating equipment immediately.



A NEW coin changer with anti-vandal features is now available through **The Hamilton Scale Company.** The Changer Series 300 features a complete cabinet constructed of 3/16" boiler-plate steel housing three separate coin-changer machines. Cabinets are finished in a beige hammer-tone finish with contrasting bands of deep brown. Units are wired for 110 V, 60 cycle operation. Complete specifications are available from the company at **3350 Secor Road, Toledo, Ohio**



BOOKLETS

An 8-page, 3-color brochure on luminous ceilings is available by writing **Luminous Ceilings, Inc., 3701 N. Ravenswood Ave., Chicago 13.** This brochure shows 10 different types of ceilings, including the new *Leaf-Lite* ceiling with unlimited color possibilities. Unbroken ceiling pattern, no visible track system.

BE "Years Ahead" with **Allis-Chalmers Fork Lift Trucks (BU-451A)** is a new 16-page pictorial review of the fork lift trucks now available from the **Engine-Material Handling Division, Allis-Chalmers Manufacturing Co., Milwaukee, Wis.** Illustrations, including cutaways, help describe the engineering, design, construction and operating features of the FT series. Booklet is free upon request.

"Be More Active in Politics," Editor Tells Bankers

THERE'S a greater risk to banking if bankers are *not* active in politics than if they are more active, editor of the *Harvard Business Review* and professor of business administration, Harvard Business School, told the Boston convention of NABAC, The Association for Bank Audit, Control and Operations.

Although Prof. Bursk cautioned against "a risk of public criticism" in the event of greater participation in politics, he added: "Let's face it, and see how close to the edge of danger you can get. I think you should run more risk than you ever did before in this direction because the opposite risks of being on the receiving end of some political pushing around are even greater."

HERE are Prof. Bursk's suggestions on how far the businessman should go in politics:

"(1) As a company representative, he should not throw the economic

power of his business organization into partisan politics.

"(2) As a company representative, he should muster the economic power of his business behind causes, activities, or organizations designed to improve the efficiency of government and the climate of business; and this includes informing legislators and government officers, just as forcefully as possible, concerning what business needs if it is to continue as a productive employer.

"(3) As an individual, he should not run for full-time elected political office — unless he also has political abilities, which most businessmen do not have, or unless the position is one that calls exclusively or predominantly for business abilities.

"(4) As an individual, he should actively engage in the activities of the party of his choice, not just by voting, not just by contributing, but by campaigning and by helping to form party policy."

Statement of Ownership

¶ STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (TITLE 39, UNITED STATES CODE, SECTION 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF BANKING, JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, published monthly at Philadelphia, Pennsylvania, for Oct. 1, 1959.

¶ 1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, The American Bankers Association, 12 East 36th St., New York 16, N. Y.; Editor, William R. Kuhns, 12 East 36th St., New York 16, N. Y.; Managing Editor, William P. Bogle, 12 East 36th St., New York 16, N. Y.; Business Manager, None.

¶ 2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) The American Bankers Association, 12 East 36th St., New York 16, N. Y. (A voluntary unincorporated association of banks); Lee P. Miller, President, Citizens Fidelity Bank & Trust Co., Louisville, Kentucky, Pres. (term 9/58-10/59); Merle E. Seelcman, 12 East 36th St., New York 16, N. Y., Exec. Vice-President.

¶ 3. The known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

¶ 4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

¶ 5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, and triweekly newspapers only.)

WILLIAM R. KUHN, Editor

¶ Sworn to and subscribed before me this 1st day of October, 1959.

¶ Geo. H. Hottendorf, Notary Public, State of New York, No. 30-1866800. Qualified in Nassau County.

¶ (My commission expires March 30, 1961.)

BANKING's Advertisers

November 1959

Acme Visible Records, Inc.	116
Allison Coupon Company, Inc.	108
American Appraisal Company	32
American Charts Company	134
American Telephone & Telegraph Company	5
Anderson Company, Inc., The Merrill	90, 91
Bank Building & Equipment Corporation of America	1
BANKING	68, 69
Bank of Montreal	132
Bank of Tokyo, Limited, The	138
Bantherico International, Inc.	123
Barnett National Bank of Jacksonville, The	118
Brandt Automatic Cashier Company	21
Burroughs Corporation	8, 9
Canadian Bank of Commerce	119
California Bank	110
Celotex Corporation, The	113
Christmas Club a Corporation	33
Citizens National Bank, Los Angeles	126
City National Bank & Trust Company, Kansas City	108
Colon Free Zone	116
Commerce Clearing House, Inc.	93
Continental Casualty Company	14, 15
Continental Illinois National Bank and Trust Company of Chicago	89
Crafts of Hawaii, Inc.	138
Credit Life Insurance Company	94
Cummins-Chicago Corporation	94
Curtis 1000 Inc.	19
Dai-Ichi Bank, Limited, The	136
Delbridge Calculating Systems, Inc.	111
Deluxe Check Printers, Inc.	126
Dick Company, A. B.	114, 115
Diebold, Incorporated	129
Doane Agricultural Service, Inc.	128
Douglas-Guardian Warehouse Corporation	7
Educational Thrift Service, Inc.	138
Exline, Inc., William	128, 138
Federal Life & Casualty Company	Cover II
Financial Publishing Company	118
First City National Bank of Houston	144
First National Bank of Arizona	144
First National Bank of Chicago, The	131
First National Bank in Dallas	11
First National Bank of Minneapolis	11
First National City Bank of New York, The	124, 125
Fort Worth National Bank	94
Fuji Bank, Limited, The	12
General Electric Company—Computer Department	34-37
Hammermill Paper Company	Cover III
Herring-Hall-Marvin Safe Company	70
International Business Machines Corporation	31
Irving Trust Company	137
LaMonte & Son, George	95
Lawrence Warehouse Company	143
Lockheed Aircraft Corporation	28, 29
Manufacturers Trust Company	89
Metals Products Engineering, Inc.	26
Morgan Guaranty Trust Company of New York	121
Mosler Safe Company	139
National Cash Register Company	Cover IV
National City Bank of Cleveland	32
Nippon Kangyo Bank, Limited, The	18
Patented Plastics, Inc.	134
Philadelphia National Bank, The	67
Pittsburgh National Bank	38
Pittsburgh Plate Glass Company	13, 127
Polk & Co., R. L.	63
Radio Corporation of America	117
Ralston Purina Company	117
Recordak Corporation (Subsidiary of Eastman Kodak Company)	64, 65
Richmond & Backus Company, The	133
Rohm & Haas Company	19
Ronald Press Company	138
Salvation Army, The	128
School Thrift, Inc.	84
Seeburg Corporation, The	83
Service Bureau Corporation	83
Smead Manufacturing Company	80
Standard Paper Goods Manufacturing Company	132
ThriftCheck Service Corporation	27
Timely Events	18
Union Pacific Railroad	24
United States Bronze Sign Company, Inc.	136
Valley National Bank	130
Venus Pen & Pencil Corporation	10
Weart, Spencer—Banking Studies	128

INITIAL MANUFACTURING, INC.

BALANCE SHEET

ASSETS

DECEMBER 31

Cash in banks and on hand \$ 8,446
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OFFICES IN PRINCIPAL CITIES

The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 39)

closed circuit, one-way communication from Russia it is conceivable that the communists could announce that they had sent comrades to Mars and back. We would then print extensive interviews with the travelers and pictures of the landscape.

The time to be afraid of legitimate economic competition from the communists is when "Made in Russia" becomes a mark of quality which sells goods.

Optimistic for Opposite Reasons

Confidence is healthy and essential, but there is something special about the kind of hopefulness prevailing today with regard to the future course of business. Optimists are numerous and vocal but for various and conflicting reasons. If all the optimists were laid end to end they would not reach a common conclusion.

Some are confident because they believe that the monetary authorities will keep money tight enough to prevent a runaway boom. Others are confident that this is impossible and that the popular bias in favor of easy money will prevail.

Thus the whole vital question of money rates is dumped into the middle of the political arena where it should not be, although that's probably where it feels most at home.

While the heavy monetary debate continues to orbit someplace up there, certain mundane factors here on earth will be operating to make 1960 a plateau year on the charts. There is a tendency to blame the steel strike and its after-effects for the third quarter slowdown, but this is over-simplifying a development involving several other items even more important.

Among the forces that stimulated inventory accumulations and capital expenditures earlier this year the most important was the inflationary psychology of huge Federal deficit financing. Government action to spur housing and general construction had the same inflationary effects, coupled with the relative availability of credit for all purposes.

All of these things are changing or have changed, so there is no longer any reason to expect much increased over-all activity next year, except in the unlikely event of an out-and-out inflationist victory in Washington and abroad.

Most business people will be glad to settle for a moderate improvement in the coming months, believing this would be a better augury for the longer future. The Conservative triumph in England, on top of con-

CASH DIVIDEND PAYMENTS— September 1959

CASH dividend payments by corporations issuing public reports amounted to \$1.8-billion in September, the Office of Business Economy, U. S. Department of Commerce, has announced. This figure compares with a total of \$1.7-billion reported for the same month of last year.

The advance over September 1958 was widespread among the industries distinguished in the OBE tabulation, as all but one of the manufacturing industries were up, and mining was the only nonmanufacturing group in which payments were down. In iron and steel manufacturing and in trade where sizable increases are noted, shifts in the timing of dividend payments played an important part.

Publicly reported cash dividend payments in the first nine months of 1959 totaled \$9-billion, 4% more than in the January-September period a year ago.

servative trends in western Europe, are reassuring and a lesson to us, although it must be said that the British winners had to make themselves look something like Laborites to win.

Tight money is unpopular but is probably the only thing that will bring about a removal of the ceiling on long-term Treasury rates and thus get the Treasury out of the short-term credit market where things are rather crowded and the Government is competing for funds with business, especially small business.

This, plus the healthier budget picture now in prospect, will help restore faith in the dollar and convince the world that we know what we are doing and how to accept the responsibilities and discipline of leadership.

The Elusive Inflation Target

Educating the public against inflation is no pillow fight. This is the kind of battle which can't be won without somebody getting hurt.

In the course of history more paragraphs, books, and whole libraries have been hurled at this subject than anything in the whole economic catechism. Lately private groups and governmental agencies have been garnering an unprecedented crop of opinions to provide a basis for fighting inflation and each other.

This has been going on with increasing intensity symbolic of the great cause itself, in that more and more nouns and adjectives are required to accomplish less and less.

Where this will lead no one knows. Usually the price of compromising many differing views is simply compromise and confusion, which calls for more monographs, treatises, formulae, equations, and what-you-may-call-'ems.

Any approach to the question of tactics in the battle leads inevitably to the matter of money rates. Present monetary stringency and the prospect that it will continue are the central facts of the business outlook today. Business, government, and consumers are all seeking credit, and this is the biggest headache the banks have from both an operational and public relations standpoint.

WILLIAM R. KUHN

Timely Booklet on Inflation

In our October issue, starting on page 51, BANKING published "Inflationary Demoralization" by Dr. Melchior Palyi. This was reprinted from *Child's Review*, published by C. F. Childs and Company. It is part of a more complete treatment of the subject by the same author in a timely and valuable booklet entitled "A Lesson in French—Inflation," published by the Economists' National Committee on Monetary Policy. This booklet can be obtained through the office of the committee at 1 Madison Avenue, New York 10, N. Y.

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NATIONAL POST-TRONIC MACHINES streamlined the bookkeeping procedures of the Valley Bank and Trust Company, Springfield, Mass.



NATIONAL POST-TRONIC MACHINES not only improved this bank's accounting efficiency but also reduced its equipment needs 50% and freed considerable floor space.



BRUCE H. MACLEOD, PRESIDENT, AND **W. A. LIESON, EXECUTIVE VICE-PRESIDENT** of the Valley Bank and Trust Company, Springfield, Mass.

“National POST-TRONIC machines save us 60% annually on our investment.”

VALLEY BANK AND TRUST COMPANY — Springfield, Mass.

“In September, 1957 we installed the first of fourteen National POST-TRONIC* bookkeeping machines,” writes Bruce H. MacLeod, President of the Valley Bank and Trust Company. “Since that time we have had the pleasure of seeing ample proof that our reorganization has been a profitable investment.”

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our offices when the bank was formed through merger of two leading banks. By reducing our equipment needs 50%, they eliminated any necessity of enlarging the space allotted for the accounting department.

“With our present experience in the use of National POST-TRONICS, we realize a 60% annual saving on our investment, including traceable reductions in operating costs of approximately \$60,000 a year.”

Bruce H. MacLeod

President of the
Valley Bank and Trust Company

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